

Shiites Release 39 American Hostages

EC Summit Stalls On Short-Term Reform Procedures

By Steven J. Dryden
International Herald Tribune
MILAN — European Community leaders, at a contentious summit meeting, have failed to agree on short-term measures to improve their decision-making procedures. But they agreed to call a conference to discuss institutional reform.

The leaders ended a two-day meeting Saturday evening in disagreement over whether they had made significant progress toward changing cumbersome rules requiring unanimity, which are seen as holding back the development of the community.

Prime Minister Bettino Craxi of Italy, who chaired the meeting and pushed through the idea of a reform conference, said that the results were "positive" and would allow the community to move "perhaps slowly, but steadily" toward a "broader and more committed European union."

But Prime Minister Margaret Thatcher of Britain, who had opposed the conference, said that

member states "delayed, postponed and procrastinated."

Mrs. Thatcher said she had little hope for the success of the conference, since changes to be considered there would require unanimity and that had been lacking at the summit meeting.

Her voice rising in irritation, Mrs. Thatcher added, "Britain came here with high hopes." But, regarding practical changes, she added, "We have not made the progress we sought." Britain had proposed a greater use of majority voting and restrict the use of the veto.

She told a radio interviewer later: "The Germans recently invoked the national veto and now they want this air-fairy conference."

Prime Minister Ruud Lubbers of the Netherlands said the meeting was a "disappointing experience." His foreign minister, Hans Van Den Broek, added, "We expected a qualitative leap forward which failed to materialize."

The summit, held in the Castello Sforzesco, a 15th-century fortress in Milan, lasted for an unusual two full days. The atmosphere was described by officials as tense and frequently argumentative.

"This has not been an easy conference," Mrs. Thatcher said.

The proposal to call a special reform conference was backed by all the member states except Britain, Denmark and Greece. The adoption of short-term measures to improve decision-making, like those in the British proposal, were blocked by Greece, Mr. Craxi said.

Prime Minister Andreas Papandreu vetoed the short-term measures in irritation over the calling of the conference, officials said.

Greece is opposed to the mandate of the conference for changing the Treaty of Rome, the 1957 document founding the community.

The conference is to be called (Continued on Page 2, Col. 5)



Bettino Craxi

South Africans Raid Angola, Kill 45 Rebels

Compiled by Our Staff From Dispatches
PRETORIA — South African soldiers pushed 10 miles (16 kilometers) into Angola (16 kilometers) into Angola on Saturday in pursuit of black nationalist guerrillas and killed 45 of them, a spokesman for the South African military said. One black soldier died in the raid.

The spokesman, Colonel Tim Kraynauw, said the soldiers picked up the trail of insurgents of the South-West Africa People's Organization near the northern border of South-West Africa, the South African-administered territory also known as Namibia.

The soldiers, of the South African forces and South-West African territorial units, followed the guerrillas into Angola in a "hot pursuit operation" and killed 45 of them, the spokesman said.

A South African military spokesman said Sunday that the soldiers were returning to Namibia but added that they could be delayed by further skirmishes with SWAPO or the discovery of arms caches.

South Africa, which invaded Angola in what it said was an operation against SWAPO bases in 1983, announced the withdrawal of its last troops from Angola in mid-April but said it reserved the right to protect its security interests with cross-border raids.

The withdrawal came under an agreement reached in February 1984 with Angola, which pledged to keep the area vacated by South Africa free of SWAPO fighters. But South Africa said Angola could not or would not keep its side of the bargain.

After the withdrawal, two South African soldiers were killed and one was captured in northern Angola on May 20 in what South Africa described as an intelligence-gathering operation but Angola said was an attempt to sabotage Gulf Oil installations.

On June 14, South African troops raided Gaborone, Botswana, and killed 13 persons in what Pretoria said was an intelligence-gathering operation but Angola said was an attempt to sabotage a bridge at the border town of Etah.

The military spokesman said Saturday's operation followed SWAPO attempts Friday night to bomb a military base near the Namibia-Angola border and to sabotage a bridge at the border town of Etah.

More than 400 SWAPO guerrillas have been killed in clashes with South African troops this year, according to the South African military.

SWAPO is fighting for indepen-

dence under black rule for Namibia, which has been governed by South Africa since 1915, and in defiance of the United Nations since 1966.

In June, South Africa handed over the territory's internal administration to an interim government, but retained control over its foreign affairs and defense and security policy.

That move was condemned by Western governments, including the United States and Britain, because it excluded SWAPO, recognized by the United Nations as the sole legitimate representative of the Namibian people. (UPI, Reuters)

MAPUTO, Mozambique — Rebels fighting Mozambique's government machine-gunned a convoy of five buses Saturday, killing 37 passengers and wounding 67, The Associated Press reported, quoting the official Mozambican press agency AIMP.

The Mozambican agency said the attack took place 30 miles north of Maputo, near the site of an ambush Tuesday in which rebels reportedly killed 24 persons.



A militiaman hands flowers to a hostage in the Red Cross convoy leaving Beirut.

Long Farewell Was Just a Rehearsal

By Christopher Dickey
Washington Post Service

BEIRUT — It was a bright morning for the hostages, a time of festivity that began, really, just after midnight with a farewell meal at a beach club overlooking the Mediterranean. The end was supposed to come Saturday afternoon with a happy welcome at a U.S. military base in West Germany.

By 11 A.M. the hostages from TWA Flight 847 were gathered at a school in the Borge Barjani suburb near Beirut International Airport. Red Cross ambulances waited to drive them across the border to Syria. They listened gleefully to radio reports of their impending liberation.



One of the hostages, Clinton Suggs, seated, of Norfolk, Virginia, talking in Beirut with Shiite Muslim militiamen.

Nearby there were plenty of signs of suffering: the homes of a Palestinian camp shattered by recent fighting, truck-mounted machine guns on nearby streets. Everywhere were reminders of the wars of Beirut — wars that had reached out and grabbed them. But their spirits were high. They were ready to go.

But they did not go.

"We're ready for this roller coaster ride of emotion to come to an end," said Allyn Conwell, the square-jawed Texan who has become the main voice of the group. "But we will not under any circumstances give up hope."

All the while, a few miles away, the fate of the hostages was being wrangled over by men in a downtown Beirut office among battered apartments with sandbagged entrances not far from the main battle line that has divided Beirut since 1975. Hordes of reporters had left already for Damascus to witness the arrival of the hostages when they got there.

Those who were left were summoned three times to hear the good news from Nabih Berri, the Shiite leader who made himself the man in the middle of the crisis during the past two weeks. Three times, the last just before dusk, the reporters were told to go away. There was nothing for them.

Inside the office, it became ever more evident as the afternoon dragged on that something had brought the freedom train to a halt: the tension became palpable.

Mr. Berri's No. 2 man emerged at one point to pray: his sleeves rolled up, his tie loosened, his face and hands wet from the ritual ablutions. He looked as if he had just emerged from a steam bath.

Late in the day a young U.S.-educated banker close to Mr. Berri, Jaafar Jalabi, tried to stifle reports that there were new demands and new obstacles beyond the difficulty raised by President Ronald Reagan's talk on Friday of things and murders.

The telephones were the focus of everyone's attention. Mr. Berri, his aide said, was waiting for a call.

Outside in the dark, the streets among the barricades had emptied. Guards strolled and played with their AK-47 rifles.

It was 9:15 P.M. and the call had not come. Mr. Berri walked through the office surrounded even inside his building by bodyguards and then down the stairs to his apartment.

Mr. Jalabi said Mr. Berri was going to try to sleep.

Berri Asserts U.S. Will Not Retaliate

The Associated Press

BEIRUT — Thirty-nine American hijacking hostages held captive since June 14 were released by their Shiite Muslim captors Sunday afternoon and driven to Damascus, from where they were to be flown to freedom in Frankfurt.

The Americans, some smiling and waving, climbed into a Red Cross convoy of station wagons after 17 days of captivity that included the slaying of a fellow passenger, threats that the commandeer aircraft would be blown up, and hours under the guns of radical Shiite hijackers and the more moderate Amal militia.

Seven other Americans kidnapped in Lebanon still are missing, and there was no word of them Sunday despite President Ronald Reagan's effort to link their release to that of the hijacking hostages.

The Shiite Muslim Amal leader, Nabih Berri, who had held the Americans in Beirut for two weeks, said a U.S. statement pledging to respect Lebanon's sovereignty had been accepted as the demanded guarantee of no U.S. retaliation for the hijacking of the TWA Athens-Rome plane.

On Saturday, the scheduled release of the hostages was held up for a full day over a Shiite demand for a pledge from Washington and Israel that there would be no retaliation.

Mr. Berri's demand for the pledge appeared to stem from President Reagan's threat in a speech Friday in Chicago to hold to account "terrorists and those who support them."

The hijackers, radical Shiites, killed a 23-year-old U.S. Navy diver, Robert Dean Stethem, on June 15.

There was no immediate comment from the United States about the release. Washington had declared it would not act on the hijackers' demand that Israel free more than 700 Lebanese prisoners, most of them Shiites. Israel said it had intended to free the prisoners as security conditions in south Lebanon warranted and would not free them in connection with the Americans.

In Jerusalem, Yossi Beilin, the Israeli cabinet secretary, said "no decision whatsoever" had been made at a cabinet meeting Sunday.

At Beirut airport, the red and white TWA Boeing 727 was abandoned by the two armed hijackers, who were taken into the airport's transit lounge by Amal militiamen.

With pistols jammed into their belts, the two read a statement denouncing the United States, whose "war machine," it said, "is nothing but children's toys." They warned the United States to see that Israel released the Lebanese prisoners as demanded.

"We staged this hijack to show the world the hijack of the oppressed to confront America and harass its interests everywhere," they said.

The hijackers said they agreed to release the hostages "after guarantees sponsored by President Ronald Reagan" of Syria, that 735 Lebanese, mostly Shiites, held in Israel's Alot prison would be freed.

The convoy carrying the hostages, accompanied by Red Cross officials and Syrian Army officers, began rolling about two hours after Mr. Berri announced the release of the hostages.

The convoy began to move at 5:40 P.M. from Beirut's southern suburb of Borge Barjani. The International Committee of the Red Cross confirmed that all 39 hostages were in the convoy.

It was led by a Lebanese Army truck with an anti-aircraft machine gun, two cars filled with Syrian intelligence officials and three vehicles carrying Druze militiamen.

They were followed by at least 10 Red Cross station wagons and a Red Cross truck carrying their luggage from the plane.

An Amal truck was at the tail of the convoy as it rolled through the narrow streets of the Shiite slum neighborhood.

Before the convoy began to move, the pilot of the hijacked Boeing 727, Captain John L. Testrake, shook hands with unidentified Lebanese who gave him pink roses.

Captain Testrake, 57, of Richmond, Missouri, entered the leading Red Cross vehicle, smiling and waving as it drove off.

Mr. Berri said that he had gotten guarantees from Syria and the United States.

"I received promises from Syria and a statement from the U.S.A. today," he said.

"There will definitely be a very serious situation that will expose the whole world to tremors" if the Shiite prisoners are not released, Mr. Berri said. "This will lead to real terrorism."

Mr. Berri said two kidnapped



Nabih Berri

Frenchmen, Michel Seurat and Jean-Paul Kaufman, would be released within two days.

An aide to Mr. Berri, speaking on condition he not be identified, said the hostages had been gathered in south Beirut after being split into smaller groups overnight. One group slept at the Hussainiyyah mosque near the Shiite Muslim Tahweita girls' school where 35 of the hostages had been gathered for Saturday's abortive release.

Abu Rabiya, a senior Amal official, said four of the hostages who had been held by the radical Shiite Hezbollah, or Party of God, were brought to Beirut from a "faraway place" after Syria purportedly released them.

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In White House, Spirits Rose and Fell Hourly

New York Times Service

WASHINGTON — The U.S. secretary of state, George P. Shultz, first learned through diplomatic channels Friday evening that the American captives in Lebanon might be released soon, senior White House officials said. That set off an extraordinary vigil that saw spirits rise and fall throughout Saturday.

The information prompted an all-night session at the White House as staff members, reporters and others tried to piece together the latest pieces of information about the fate of the hostages as that information was coming out of Lebanon, Syria and Israel.

The White House officials who recounted this activity Saturday provided details of prolonged caution on the part of administration officials, punctuated by moments of optimism and frustration.

The worst point, they said, was reached early Saturday when it was learned that the Americans, who supposedly were to be taken to Damascus and then to freedom in West Germany, still were being held in Lebanon.

"The worst moment was when the rumors came this morning that they were at a schoolhouse" south of Beirut, an official said. "We checked and checked and checked and found that they were."

Larry Speakes, the White House spokesman, said President Ronald Reagan had been told at a meeting shortly after 5 P.M. Friday of what officials described as a shift in tone on the part of the Muslim Shiites holding the hostages. Throughout the evening, the president was given updates about the situation by Robert C. McFarlane, his national security adviser, who awakened the president several times during the night, Mr. Speakes said.

At a news conference at 4:20 A.M., White House officials announced — erroneously as it turned out — that the hostages

were on their way by bus to Damascus. Mr. Reagan was to have made a statement in mid-morning, by which time the Americans would have left Damascus in an air force plane for Frankfurt.

There was no explanation for the report that the hostages had left Beirut, except that the U.S. Embassy there had transmitted it. At 5 A.M., Mr. Speakes appeared to acknowledge that the situation was not as hopeful as it had been.

White House officials said Mr. Shultz first received information about the plan to release the captives sometime after 5 P.M. Friday, through what an official said were "diplomatic channels" out of Syria.

About that time, Mr. Reagan was conducting an hour-long meeting with his national security advisers, where he reportedly learned of the possibility of a breakthrough in the crisis.

Top White House spokesmen conferred with Mr. McFarlane at about 7:30 P.M., then agreed on a strategy of informing the public about the release. The plan was that an announcement would be made at about 3 A.M., the time the White House believed that the hostages would be in a heavily guarded motorcade heading out of Lebanon to Damascus.

"We came in about 2 and went and talked to Bud, and he had heard nothing," an official said, referring to Mr. McFarlane.

With concern mounting, White House officials monitoring the situation through State Department contacts then decided to delay the 3 A.M. announcement by more than an hour while they sought confirmation that the hostages had left Beirut.

At 4:20, they announced erroneously that the hostages were on their way to Damascus. At 4:41, Mr. Speakes told reporters: "We have seen reports that the passengers of TWA Flight 847 who have been held hostage in Lebanon since (Continued on Page 2, Col. 1)

Poor U.S. Patients 'Dumped' in New Era of Profit Health Care

By Paul Taylor
Washington Post Service

DALLAS — When G. R. Lafon walked shakily into the emergency room of Parkland Memorial Hospital, a nursing supervisor asked if she could help.

"I hope so," said the uninsured 56-year-old laborer, displaying a third-degree grease burn on his side and back. "I've already been to three hospitals today that couldn't."

Mr. Lafon had been "dumped," or turned away from emergency rooms for lack of a deposit ranging from \$500 to \$1,500, by three for-profit hospitals closer to his home.

"Kind of makes you feel like a dog," said Mr. Lafon, who received a skin graft and 19 days of medical care at Parkland, a county-owned hospital.

Dumping is not new, but it is a growing practice in the United States. The 20 million to 25 million Americans without health insurance are finding themselves left out in two upheavals that are changing the face of the health industry: the ascendancy of for-profit hospitals and the emergence of price-con-

scious consumers, led by the biggest health consumer of all, the federal government.

These developments have set loose free-market incentives into an arena long shielded from them, and may lead to lower-cost, more efficient health care for everyone. They already seem to be taming medical inflation.

The leading players in this new marketplace — hospitals, counties, states, the federal government and private insurers — are sorting out new roles and protecting old turf. In the meantime, however, "the uninsured are the ones who are left exposed," according to John Gavras, president of the Dallas-Fort Worth Hospital Council.

Dumping is the prime symbol of that exposure. The horror stories of patients being sent to other hospitals while in labor or while comatose or immediately after devastating accidents are atypical, but they speak of the perverse incentives of a larger system.

Nobody knows how many patients are dumped nationally; few hospitals keep records, Parkland does. It receives 150 dumped pa-

tients a month, twice the level of three years ago. Other big-city public hospitals that monitor dumping report similar increases. Last year, Cook County Hospital in Chicago admitted 6,000 emergency patients transferred from other facilities, a five-fold increase in four years.

Parkland and Cook County are tax-supported, and their charge is to care for the poor. Both are teaching hospitals; their staffs have excellent reputations. So the question arises: What is wrong with putting uninsured patients in places like that?

One set of concerns is strictly medical; the other involves access and equity.

Last year, a Harvard Medical School research team analyzed records of the 453 patients transferred during a six-month period to tax-supported Highland General Hospital in Oakland, California. It found that in 7.2 percent of the cases, the patients were transferred without being stabilized medically and that their care suffered as a result.

"Medical judgment, compassion and common sense nowadays are

too often overwhelmed by the economic considerations of hospital managers," said Dr. Arnold S. Reisman, editor of the New England Journal of Medicine.

Dr. Reisman and other critics also fear that the United States is heading toward a two-tiered network of hospital care, with private hospitals for paying patients, and public hospitals for the poor and uninsured.

"It doesn't take too long to figure out who loses in a system like that," said Dr. Ron Anderson, president of Parkland, who believes that a community will sharply limit the amount of tax money spent on public hospitals.

Dr. Anderson bumps into those limits every day. Parkland, he jokes, has an "open-door" policy. "Our doors are kept open by the long lines of people trying to get care," he says.

Waits at some of his hospital's outpatient clinics can run five or six hours. During busy times, Parkland's four-bed hospital rooms have five beds. Just getting in and out can be a chore for visitors, doctors and nurses.

It is crowding, rather than the

quality of medical care, that gives public hospitals their generally poor reputations. But reputation is the least of these hospitals' worries.

In the new medical marketplace, public hospitals are being pressured from all sides by cost considerations. Federal cutbacks in Medicaid and Medicare, the medical payment programs for the poor and the retired, have reduced their reimbursements. Employer cutbacks in health benefits have added to the pool of the uninsured for whom they are ultimately responsible. The "skimming" of paying patients by the aggressive marketing techniques of for-profit hospital chains have taken away many of their paying customers.

At least 70 American public hospitals have closed in the past five years, and 180 others have been bought or come under the management of for-profit hospitals, thereby adding to the strains on the remaining public hospitals.

"Health care is now a commercial commodity sold in a market" in which those who render uncompensated care to the indigent are bound to finish last, writes Uwe

Reinhardt, a health economist at Princeton University.

In Texas, where the proprietary hospital industry has its strongest foothold, 30 percent of all hospital beds are owned by for-profit chains; nationally, the figure is 11 percent, and it is expected to grow to 30 percent within a decade.

Public hospitals nationwide spend 11 percent of their gross patient revenues on "indigent care," that is, the care for uninsured patients too poor to pay, too young for Medicare and unqualified for Medicaid, whose eligibility guidelines provide for only half the nation's poor.

Private hospitals, on the other hand, spend 3 percent of their gross patient revenues on care for the indigent, despite state laws requiring hospitals with emergency rooms to provide emergency care to all patients who need it, regardless of ability to pay.

Given that disparity, a tug of war has developed, in Texas and nationally, between public and for-profit hospitals. The hybrid private-nonprofit hospitals, which

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Airline Group Says Athens Airport Now Provides Acceptable Security

By Kenneth Freed
Los Angeles Times Service

MONTREAL — Greece has raised security at Athens airport to acceptable international standards since the June 14 hijack of a TWA airliner, according to the International Air Transport Association.

The finding was made after five experts spent three days in Greece reviewing how the hijackers got weapons aboard the TWA flight, according to David Kyd, spokesman for the association, which represents airlines. He spoke Friday after an emergency meeting of the association's security advisory committee.

The association has been conducting airport security checks for more than 10 years.

Mr. Kyd would not be specific

but did say that, apart from problems with the airport's layout and the perimeter fence, "the key question is the motivation and attention of the people operating security equipment."

He said that a survey of 40 key airports around the world over the last six years had pinpointed security problems at Athens and "five or six" other cities.

Mr. Kyd would not name the potentially dangerous facilities other than to say that "two are in the Far East and three are in the Middle East or Africa."

"To be more specific," he said, "would give terrorists information they would like to know."

The Greek government and officials of the other countries were

advised in 1980 that they were below recommended security standards, Mr. Kyd said. While some improvements were then made, he said, they had not been sufficient.

Friday's meeting at the association's headquarters was called after six violent incidents involving airplanes and airports over the last three weeks, including the hijacking and ultimate destruction of an Air-India Boeing 747 in which 329 persons died June 23.

Mr. Kyd said that the committee dealt with "new measures to thwart terrorist activity and emphasized the need for member airlines to make every endeavor to secure their government's ratification or implementation" of existing treaties and agreements designed to prevent terrorism and punish terrorists.

Mr. Kyd emphasized that the International Air Transport Association, a voluntary group, had no way to enforce its recommendations nor to penalize countries or airlines that did not conform to the group's standards.

Vulnerable Airports Listed

Lisa Belkin of The New York Times reported from Washington: The Reagan administration has received a report from the Federal Aviation Administration listing airports around the world that may be vulnerable to hijackers because of lax security, federal aviation officials said Friday.

The White House is considering restrictions on air traffic between the foreign airports cited and the United States.

On June 18, President Ronald Reagan announced that he had ordered the FAA to review security systems at airports around the world in response to the TWA hijacking. The resulting report was delivered to the White House on Tuesday, according to Edward Pinto, an FAA spokesman.

The list of airports will not be made public in the near future, Mr. Pinto said Friday.

A spokesman for the Department of Transportation, which oversaw the report, said, "We will not publicize those deficiencies." If the United States said, for example, that a certain airport "had a terrible security system and you can drive a truck through their baggage area," the spokesman added, it might encourage terrorism at that airport.

The spokesman said, "If there are deficiencies at any particular airport, we will try to work with those countries to bring security up to our standards." If improvements are not made, he said, "the secretary of transportation will take action to suspend service to and from those countries."



Richard Herzberg, 33, arrived Sunday at the home of Nabih Berri. He and three other Americans were kept separately from the hostages taken from the TWA plane.

Chronology of Hijacking

Friday, June 14 — TWA flight 847, with 145 passengers and 8 crew members aboard, is hijacked by two Lebanese Shiite gunmen on its way from Athens to Rome. The gunmen force the Boeing 727 to Beirut, where the hijackers are joined by about 10 more gunmen. They demand the release of 766 Lebanese, most of them Shiites, held in Israel. The gunmen free 19 passengers, fly to Algiers and release 22 more. An accomplice of the two hijackers is arrested at Athens airport. The plane returns to Beirut, where the hijackers kill one hostage.

Saturday, June 15 — The plane returns to Algiers, where 67 hostages are released and Greece frees the accomplice.

Sunday, June 16 — The aircraft flies to Beirut, where the remaining hostages are taken off. Nabih Berri, the Amal Shiite leader, becomes the negotiator for their release, saying if the Lebanese prisoners are not freed "then I, as a mediator, will wash my hands of the case."

Monday, June 17 — Mr. Berri announces that the hostages have been moved to several hideaways. Israel says it will consider releasing its Lebanese prisoners only if it receives a top-level U.S. request, but Washington says it will not make such a request. An ailing hostage is released.

Tuesday, June 18 — Three more hostages are released.

Wednesday, June 19 — Captain John L. Testrake warns that in any rescue attempt "we would all be dead men."

Thursday, June 20 — President Ronald Reagan declares that the limits of U.S. patience "have been reached." Five hostages appeal to Mr. Reagan to refrain from using force.

Monday, June 24 — Israel releases 31 Lebanese prisoners, but Mr. Berri says the hostages cannot be freed unless the others are released. He also demands that U.S. warships, cruising off the Lebanese coast, be withdrawn.

Tuesday, June 25 — Mr. Reagan threatens to impose sanctions against Lebanon.

Wednesday, June 26 — Mr. Berri releases an ailing hostage and offers to transfer hostages to a West European embassy or to the Syrian government.

Thursday, June 27 — Mr. Berri asserts that the crisis is nearly over.

Friday, June 28 — Syrian officials say the 39 hostages will be moved to Damascus.

Saturday, June 29 — Most of the hostages are moved to a school in a Beirut suburb, but their release is delayed. The Shiite Muslim leaders demand guarantees that Israel and the United States will not take reprisal actions against Lebanon.

Sunday, June 30 — The hostages are driven to Damascus to fly to Frankfurt.

—Compiled by Syske Looijen, staff researcher.

Hostages From Plane Are Freed

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cured American assurances there would be no revenge strikes.

The "faraway place" was believed to be Baalbek in the Bekaa, a stronghold of Shiite radicals linked to Iran's revolutionary regime.

The four hostages held by the Party of God were identified by the other Americans on Saturday as Robert Brown, Richard Herzberg, Jeffrey Ingalls, and Robert Trautmann.

Two Shiite terrorists seized the Americans June 14 on TWA flight 847 between Athens and Rome.

The terrorists released more than 100 other passengers and crew as they shuttled for two days between Beirut and Algiers. The remaining hostages were taken off the plane in Beirut on June 16 and held under guard in several different places while Mr. Berri negotiated the conditions of their release.

List of Hostages

Following is a list, compiled by United Press International, of the 39 hostages:

Canadian John L. Testrake, 57, Richmond, Mass.
Philip Morris, first officer, 42, Baltimore, Md.
Benjamin Zimmermann, flight engineer, 45, Concord, N.H.
The Reverend James McLoughlin, 45, Glenview, Ill.
Thomas V. Collins, 42, Burlington, Vermont.
Claude E. Whitmore, 50, Maryland.
Edward Brown, 22, North Miami Beach, Fla.
Bob Paul Jr., 32, Hutchinson, Kansas.
William Davis, 38, Aurora, Ill.
Raymond Johnson, 42, Aurora, Ill.
Don Richard Olson, 42, Asheville, N.C.
John L. Testrake, 57, Richmond, Mass.
Philip Morris, 42, Baltimore, Md.
Benjamin Zimmermann, 45, Concord, N.H.
The Reverend James McLoughlin, 45, Glenview, Ill.
Thomas V. Collins, 42, Burlington, Vermont.
Claude E. Whitmore, 50, Maryland.
Edward Brown, 22, North Miami Beach, Fla.
Bob Paul Jr., 32, Hutchinson, Kansas.
William Davis, 38, Aurora, Ill.
Raymond Johnson, 42, Aurora, Ill.
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The Reverend James McLoughlin, 45, Glenview, Ill.
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Bob Paul Jr., 32, Hutchinson, Kansas.
William Davis, 38, Aurora, Ill.
Raymond Johnson, 42, Aurora, Ill.
Don Richard Olson, 42, Asheville, N.C.

U.S. Court Rejects Case On Grenada Invasion

The Associated Press

WASHINGTON — A U.S. appeals court dismissed Friday a challenge by a group of congressmen against the Reagan administration's military invasion of Grenada in 1983.

The three-member panel, in an opinion by Judge Edward Allen Tamm, said the issue of the Oct. 25, 1983, invasion was moot because the action the congressmen called unconstitutional had ended.

Pertini Leaves Office 10 Days Early

United Press International

ROME — Sandro Pertini has resigned 10 days before the end of his seven-year term as Italy's president in an apparent rebuke to a government and political parties that failed to re-elect him as head of state.

"I present my resignation as president of the republic so that the new president can more quickly assume his full powers," Mr. Pertini, 88, said Saturday in his letter of resignation.

"I leave the Quirinale Palace with a secure conscience of having done my duty in the exclusive interest of the Italian people, whom I have always loved immensely," the letter said.

However, all the signs were that the president-elect, Francesco Cossiga, 56, would have preferred not to be rushed into office.

When Mr. Pertini sent his resignation letter to the presidents of the Senate and Chamber of Deputies and to the government, Mr. Cossiga was on the third and final day of a visit to his native Sardinia.

Mr. Cossiga immediately cut short his trip and flew back to Rome, where he took over as provisional head of state until he is sworn in before a joint session of Parliament and regional representatives Wednesday.

This was possible because Mr. Cossiga remains president, or speaker, of the Senate until a new speaker is elected. The Senate president is obliged to take over as acting head of state if the incumbent resigns or is incapacitated.

WORLD BRIEFS

Finns Say UN Soldiers Were Beaten

HELSINKI (AP) — Finland's Ministry of Defense has asserted that Israeli officers watched Lebanese militiamen beat kidnapped Finnish soldiers serving with the United Nations in Lebanon, but did nothing to help them.

The ministry said the Finnish soldiers were beaten with iron bars, water hoses and rifles by members of the Israeli-backed South Lebanon Army militia after their capture June 7. There was no immediate response by Israel to the assertion.

The South Lebanon Army, a Christian militia, released the last of 24 Finnish soldiers eight days after the International Committee of the Red Cross interviewed 11 Shiite deserters who said they did not wish to return to the South Lebanon Army. A United Nations inquiry found that the Finnish troops had colluded in the desertion of the 11 militiamen by staging a mock battle in which the deserters supposedly were captured by the Finns.

Greenpeace Boat Escapes Detention

BRUSSELS (Reuters) — Sirius, a protest vessel of the Greenpeace environmental group, escaped from detention in Antwerp under cover of darkness Sunday and headed home to the Netherlands, Greenpeace and Antwerp port police said.

The boat had been chained for about six weeks to moorings pending an Antwerp court ruling, due July 12, on claims for about \$100,000 in damages against Greenpeace for having used the boat last month to obstruct work on dumping chemical waste in the North Sea.

A statement issued by Greenpeace said the escape did not mean that the organization would defy the legal consequences of its actions. But it described the damages claim as "fantastically high and aimed at ruining Greenpeace financially so that it could not continue its actions to defend the environment."

Mugabe Assails Whites as 'Racists'

HARARE, Zimbabwe (UPI) — Prime Minister Robert G. Mugabe sharply criticized Zimbabwe's whites on Sunday, calling them racists for supporting the rightist party of Ian Smith, the former prime minister, in last week's general election for the 20 seats in Parliament reserved for whites.

White voters gave Mr. Smith's party 15 seats, rejecting a group of moderates encouraged by the Mugabe government. Mr. Mugabe's guerrillas fought a war in the 1970s against Mr. Smith's white-minority government, but after coming to power Mr. Mugabe adopted a policy of reconciliation with his former enemies.

Mr. Mugabe, at a rally in the town of Chinhoyi for Monday and Tuesday's elections for 80 black-reserved seats, said that the vote for Mr. Smith showed the whites "are still therefore, by and large, the racists of the past" and had rejected reconciliation. "We will not allow any racist to enjoy the comforts of this country," he said, "and those therefore who have voted for Ian Smith and continue to support him will have no one to blame but themselves."

Reagan Urges Curbs on Soviet Envoys

WASHINGTON (UPI) — President Ronald Reagan has accused the Soviet Union of "stealing or buying" U.S. military and industrial secrets, and said the United States should restrict the number of Soviet diplomats allowed in the country.

Mr. Reagan said in his weekly radio address Saturday, "We're in a long twilight struggle with an implacable foe of freedom." He said that 30 to 40 percent of Soviet diplomats "are known or suspected intelligence officers and all can be called upon by the KGB," and "we need to reduce the size of the hostile intelligence we're up against in this country."

Mr. Reagan also called for an end to many restrictions on the CIA imposed in the 1970s that he said "unduly hampered us."

For the Record

An underground nuclear explosion "of extraordinary magnitude" in the Soviet Union was reported Sunday by the Swiss Seismological Institute in Zurich. The institute said that the explosion at Semipalatinsk in Kazakhstan, near the Chinese and Mongolian borders, reached 6.3 on the open-ended Richter scale. (Reuters)

President Ronald Reagan and Mikhail S. Gorbachev, the Soviet leader, have agreed "in principle" to hold a summit meeting before the end of the year, a U.S. administration official said Saturday, but the time and place have not been decided yet. (UPI)

Spain's Roman Catholic bishops said Saturday that Catholics who obtained or promoted abortions would be considered excommunicated. A statement issued by a plenary meeting of the episcopal conference condemned a new law allowing abortion in certain cases, reiterated its view that abortion was immoral, and said that the church believed that a strong measure such as excommunication was appropriate. (Reuters)

Police in South Korea arrested 66 persons Saturday in pre-dawn raids on nine universities in Seoul and two other cities, a police spokesman reported. (UPI)

The United States has abandoned a plan to have relief agencies run by Ethiopian rebels in Sudan distribute 200,000 tons of food to famine victims in northern Ethiopia, U.S. officials in Khartoum said. (UPI)

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President of Palau Killed By Unidentified Gunman
The Associated Press

KOROR, Palau — President Haruo I. Remeliik of the western Pacific island of Palau was shot and killed early Sunday, and a unidentified Palauan was arrested in connection with the assassination, officials said.

Mr. Remeliik, 51, who was in his second term as the U.S. trustee's only elected president, was shot four times as he walked from his car to his home in the capital of Koror, said an aide, Bonifacio Basilio. Thomas Remengesau, Palau's minister of justice, was named acting president until Vice President Alfonso R. Oterong returns from a trip to New York.

Mr. Remeliik's seven-year term was due to expire July 8 and arrangements had been made to swear in Mr. Cossiga on July 9. But in view of the resignation the joint parliamentary session was urgently convened for July 3.

Prime Minister Bettino Craxi, a fellow Socialist, also was out of Rome on the day Mr. Pertini chose to step down. Mr. Pertini knew that Mr. Craxi would be in Milan presiding over the European Community summit meeting there.

Political commentators said that Mr. Pertini's decision to leave office early apparently was attended as a rebuke to the politicians who failed to re-elect him to a second term.

Mr. Cossiga, a Christian Democrat, was elected June 24 in voting by members of Parliament and regional representatives. Mr. Pertini received only 12 write-in votes among 1,011 cast and Mr. Cossiga received two-thirds of the vote.

Although Mr. Pertini declared two weeks before the election that he was not a candidate, close associates said he had been hoping for re-election and was upset when his Socialist Party and the Communists went along with an arrangement to vote for Mr. Cossiga.

EC Summit Stalls on Ways to Institute Reform

(Continued from Page 1)

before the end of October, and its results are to be submitted to the December EC summit, officials said. It was unclear whether EC leaders would attend the conference or only their foreign ministers. Spain and Portugal, who are to join the EC in January, also will be invited.

The idea for closer consultation on foreign and security affairs had formed the core of a last-minute French-West German proposal, and also was part of the British initiative.

Responsibility for convening the reform conference will fall to Luxembourg, which takes over the chairmanship of the community this month under the EC's six-month rotating presidency.

EC officials consider it essential that a move to more use of majority

voting be made before the entry of Spain and Portugal. The officials said they believe that the community will face virtual paralysis if it must continue to find unanimity among all 12 member nations.

Italian officials, playing down criticism of the summit results, said that the decision to call the conference was significant. For the first time, they said, a majority of the states overruled a minority on a major question, establishing a precedent for future majority voting.

President Francois Mitterrand of France said that the vote was important, because it "marked out clearly those who desired a strong united Europe from those who were reticent."

Mr. Mitterrand said he was particularly pleased with the support given by the leaders to France's proposal to encourage the development of European high technology.

The leaders also gave broad approval to a European Commission proposal for completing the removal of national barriers to trade within the community by 1992. The barriers are seen as holding back the economic potential of Europe and exacerbating the EC's current high level of unemployment.

The priorities of the program include the creation of a free market in the financial services and transport sectors, and the liberalization of capital movements.



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AMERICAN TOPICS

Baltimore Man Flew
On 2 A-Bomb Flights

Jacob Baser of Baltimore was a 24-year-old radar specialist aboard the Enola Gay on Aug. 6, 1945 when it dropped the atomic bomb nicknamed "Fat Man" on Hiroshima. Three days later, he was aboard another B-29 when "Fat Man" was dropped on Nagasaki. He was the only person to serve as a crew member on the attack aircraft on both missions.

Recently retired from the Westinghouse Corp., where he worked mostly on classified projects, Mr. Baser told The Washington Post that the question he is asked most often is, "Would you do it again?" And would he?

"Given the same circumstances in the same kind of a context, the answer is yes," he said. "However, you have to admit that the circumstances don't exist now. They probably never will again. I have no regrets, no remorse about it."

Estimates of the number of people who were killed, injured and missing in the bombing of Hiroshima and Nagasaki range from 200,000 to 300,000. Like others before him, Mr. Baser said that if the United States had invaded Japan instead of bombing it, "there was a casualty potential of over a million people; that's what was avoided."

Short Takes

The world's youngest profession may be construction management, which developed about 15 years ago. Lee McClure, a leader in the effort to give construction managers professional standing, says that unlike a general contractor, a CM is an agent of the construction project's owner. As such, he handles "cost control and quality control, scheduling, management and reporting systems, and procurement. He coordinates subcontractors, eliminating the need for a general contractor." CMs will meet at Hilton Head, South Carolina, in September to institute stan-



ARRESTED — James Ramsey, who was shot by Bernhard H. Goetz on a New York subway last year, was arrested Friday on charges of rape and of robbery.

dards and certification in their profession.

Boise Cascade Corp. is gearing up to produce a new line of paper that cannot be photocopied. The company says that it will begin selling the unique, spy-proof paper to the U.S. government in September. Each sheet is impregnated with a hot-pink dye that blinds copying machines and causes them to turn out blackened paper.

President Ronald Reagan was once a lifeguard, and in the 1950s and '60s, films like "The Girl from Jones Beach" and "Beach Blanket Bingo" glorified the job. Back then there were plenty of applicants. Now, however, lifeguards for beaches in the New York City area are hard to find. Up to 50 hours of training are required, but the pay is only about \$6 an hour, compared to \$9, for example, for a construction worker.

Washington's exclusive Cosmos Club, trying to stem what it calls an "unseemly" controversy over its refusal to accept women members, will require

prospective members to sign an oath stating that they will not seek to change the bylaws that exclude women. That move has simply escalated the furor. Members who want women admitted are considering challenging the policy in court.

Notes About People

John W. Buckley Jr., 28, nephew of William F., the commentator, and James L., the former New York senator, is press secretary to Representative Jack F. Kemp of New York, one of the chief prospects for the 1988 Republican nomination for president. Mr. Buckley, a costume rock music critic for Rolling Stone and The Village Voice, was deputy press secretary for the 1984 Reagan-Bush campaign.

The press secretary for Thomas P. O'Neill Jr., speaker of the House of Representatives, is Christopher J. Matthews, 39, who says of his loquacious and articulate employer: "Doing press for Tip O'Neill is like doing makeup for Catherine Deneuve. The best work is done before you get there."

Nancy Reagan's summer reading list, according to U.S. News & World Report magazine, includes Philip Ziegler's biography of Lord Louis Mountbatten and Herman Wouk's novel "Inside, Outside."

Art Buchwald, the syndicated humorist, is endorsing a \$1,000-a-year journalism scholarship at his alma mater, the University of Southern California. He has set some unusual guidelines for the award. "The student should be anti-establishment and contemptuous of the scholarship," he says, and "if the person is on probation for something he or she wrote, that should be considered a plus." He added that the winner "doesn't even have to say thank you."

—Compiled by ARTHUR HIGBEE

Jet Inquiry
Said to Yield
No Evidence
Of Bombing

Compiled by Our Staff From Dispatches

LONDON — Investigators studying the wreckage and bodies recovered from the Air-India jetliner that crashed off Ireland have failed to find evidence of sabotage, the Observer newspaper reported Sunday.

The Observer said the experts were "now moving toward the theory that it might have been aircraft or pilot failure." It did not elaborate on the phrase "pilot failure."

But the newspaper also reported that air controllers had recorded a "dull bang" in the seconds before the jet crashed, and a Canadian newspaper published a story suggesting that Sikhs may have been involved in the disaster.

The Observer's report, written by the weekly newspaper's aviation correspondent, said that the initial inspection of the recovered bodies "indicates that some died from decompression and others from drowning." All 329 people aboard the plane were killed.

"Examination of the bodies has failed to reveal any burns, shrapnel wounds" or other evidence of an explosion on board, the report said. Evidence has also emerged that suggests that the Boeing 747 jet did not break up at 31,000 feet (9,428 meters) before it crashed June 23, "but probably hit the sea more or less in one piece," it said.

It recalled that the cause of an Air-India 747 crash into the sea off Bombay in 1978, which killed 213 people, "for a long time was thought to be a bomb."

"But the inquiry showed that the crash was caused by a faulty cockpit indicator combined with a poor response from the crew," the report said. The flight recorders, which monitor crew conversations and the aircraft's operation and which offer the best chance of solving the mystery, are being searched for on the seabed, more than 6,000 feet down.

The Observer story also said that Irish air traffic controllers at Shannon had recorded "a dull bang, a gushing noise and finally a human shriek" in the seconds before the jet crashed.

In Toronto, the newspaper The Globe and Mail reported Saturday that Canadian investigators were checking a report that the pilot of the Air-India jetliner had been persuaded by a Sikh acquaintance to carry a package aboard.

The newspaper said that a Sikh living in the Toronto suburb of Mississauga might have given the package to the pilot, S. S. Binder, also a Sikh. This package reportedly was intended for a mutual friend in India who was a supporter of the Sikh separatist movement in India, which seeks an autonomous homeland, the newspaper said.

The front-page article said that when the paper reached the Sikh in Mississauga, whom the paper did not identify, he denied having asked the pilot to deliver a package. He said he knew the pilot and had dined with him before the plane's departure, but had asked the pilot to convey "just verbal messages."

The Globe and Mail said it was "fairly common" for Air-India pilots to carry presents between Indian residents of Canada and relatives in India. Many airlines discourage flight crews, who are not subjected to the same security checks as passengers, from delivering packages. (AP, UPI, NYT)

U.S. General Opposes Nicaragua Invasion

By Richard Halloran

MACDILL AIR FORCE BASE, Florida — General Wallace H. Nutting, who retired Sunday as commander of army and air force combat forces in the United States, says he is strongly opposed to a U.S. invasion of Nicaragua.

Instead, the army general said in an interview on the eve of his retirement, the United States should seek to isolate the leftist Sandinista government by building a democratic coalition among other Central and South American nations.

"We have learned to live with Cuba for 25 years," said General Nutting, 57, who also commanded U.S. forces in Latin America from 1979 to 1983. "I think we are going to have to learn to live with Nicaragua."

"Instead of worrying about invading Nicaragua and throwing out the Sandinistas, we should be concentrating on developing the hemispheric idea of coalition, building strength through political reform and economic development in the surrounding countries."

"Ultimately," he said, "maybe

Nicaragua and Cuba, if they see everybody else better off than they are, then perhaps internal movements will generate and the problem will solve itself."

General Nutting deplored recent talk about a possible invasion of Nicaragua that, according to Washington officials, has been discussed by civilian members of the Reagan administration.

"Frankly," the general said, "all the talk about invading Nicaragua is counterproductive to the long-term coalition we ought to be building in the hemisphere."

Officers in Washington said that General Nutting's opposition to invading Nicaragua reflected a view widely held among senior military officers and echoed recommendations made by the Joint Chiefs of Staff to the president and the secretary of defense.

General Nutting, who spoke at the headquarters of the Readiness Command here, retired after 35 years in the army. Serving officers often are reluctant to speak out in public but sometimes feel free to do so as they approach retirement.

The commander in chief of the Readiness Command has opera-

tional control over 235,000 soldiers and airmen in nine army divisions and four brigades, and 52 air force fighter, reconnaissance and electronic combat squadrons.

Southern Command, with headquarters in Panama, would control forces engaged in combat in Central America. But it has relatively few troops, so most combat units for any invasion would come from Readiness Command.

General Nutting cautioned that overthrowing the Sandinistas would be "a major operation" requiring "multiple divisions and air support and sea support."

"There would be a big fight to dislodge them," he said.

The general declined to be more specific. A military rule of thumb holds that an offensive force must have three times the power of the defense to succeed. General Nutting said in a recent speech that the military force in Nicaragua totaled 119,000, including reserves and militia.

An invasion of Nicaragua, he said, would jeopardize North

American-Latin American relations.

"We are paying a high price now for what they call military intervention for the last 50 years," he said, "and I don't think we want to do that again. I don't."

"If we invade Nicaragua, not only will we jeopardize working relationships within the hemisphere but we will with a bunch of our NATO allies as well," he said, adding that it would also drain U.S. forces, funds and attention from other parts of the world.

The general added: "I'd rather see us work the positive side of the problem, solidify democratic control in El Salvador, try to help the Hondurans to maintain it, help the Guatemalans get their act together, which they are trying to do, bolster Costa Rica and Panama."

"There is a strong urge for democracy all over Latin America. The military today in Latin America really are, I think, exhibiting a social conscience and acknowledge a need to change. If we don't support them, they won't make it."

Salvador Rebel Chief Backs
Attacks on U.S. Military Aides

New York Times Service

SAN SALVADOR — The leader of a small, non-Marxist rebel political party that last week publicly criticized a rebel attack in which 13 persons were killed, four of them U.S. military advisers, declared that U.S. military advisers and President José Napoleón Duarte are legitimate targets of war.

The statement, issued Thursday, appeared to contradict hopes among Salvadoran and U.S. officials that more moderate members of the rebel coalition would try to halt attacks on U.S. military personnel and government figures.

The statement indicated that there was no significant rupture in the rebel alliance, as some Salvadoran officials had suggested.

Ruben Zamora, the leader of the Popular Social Christian Movement, said in a telephone interview that his party had condemned the attack June 19 in which the marines died only because unarmed civilians were among the dead. Killing civilians is a violation of the Geneva Convention, Mr. Zamora said, and as such cannot be accepted.

He said, however, that his party, considered one of the most moderate in the rebel coalition, considered the marines and all other U.S. military advisers "to be targets just like Salvadoran soldiers."

"The American advisers are part of the war and are subject to the laws of war," he said.

The four unarmed marines and the nine civilians were killed when a rebel unit opened fire on a café here. Fifteen civilians were wounded in the shooting.

There were conflicting reports about whether any of the civilians had been armed and whether any had fired back at the attackers.



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Cost Crunch Strands Public Hospitals

(Continued from Page 1)

owns more than half of all beds nationwide, have generally sat on the sidelines, feeling sympathy for both combatants.

In Dallas, Parkland has pushed a bill in the Texas Legislature that would have placed a 1-percent tax on the net revenues of all hospitals, and used the money to set up a state fund to care for the medically indigent. Florida recently enacted a similar tax.

States that have hospital rate-setting powers, such as New Jersey and Massachusetts, factor the cost of indigent care into their rates.

The anti-tax forces contend that guaranteeing health care for the indigent is the responsibility of government.

"We don't expect Safeway or A&P to give away free food for people who can't afford it," said R. Bruce Andrews, executive vice president of American Medical International, a for-profit chain.

The question of who should pay goes to the heart of the longstanding American ambivalence toward funding medical care for the poor.

The United States spends more per capita on health than any country in the world, yet it is the one Western industrial democracy that does not treat health care as a basic national right. On the other hand, it will not stand for any health delivery system that shuts out critically ill patients because of their inability to pay.

Over the years, an improvised system of hidden subsidies came into being to address the problem.

The hospital bills of the uninsured were paid by the hospital bills of the insured, a mechanism of "cost-shifting" that thrived, until the onset of the 1980s, in a milieu of generous hospital-reimbursement formulas built into the Medicare and Medicaid programs.

When the federal government got into the health insurance business in 1965 with Medicare and Medicaid, it said to the hospitals, in effect, "We lack the political consensus to insure all the poor, but we will reimburse you handsomely enough for those we do insure so that you can pick up the slack and take care of the rest."

Because the federal government became the nation's biggest purchaser of health care through those two programs, it served as the industry pricing leader, private insur-

ers had little choice but to go along with "cost plus" reimbursement formulas.

From 1965 to 1980, cost-shifting thrived, and hospitals flourished. Their share of the health-care dollar grew from one-third to more than 40 percent, and the cost-plus formulas drew entrepreneurs into the field. So began the era of for-profit hospitals.

By the late 1970s, the poor were staying in hospitals and seeing doctors as often as other Americans. The uninsured still had less access to care, but their numbers were diminishing — down to 10 percent of the population, by some estimates.

Then the galloping medical inflation of the 1970s, triggered partly by the generous reimbursement policies, became politically intolerable. The federal government decided to reverse field. After 15 years of making expansion and access the hallmarks of its health policy, it made cost containment the critical ingredient.

In the early 1980s, Medicare and Medicaid budgets were cut or capped, and for the first time in nearly 20 years, the number of uninsured started rising again.

Moreover, in a key change in 1983, the Medicare reimbursement

formula was changed to a fixed price, rather than cost-based, approach. Private insurers followed suit, emboldened by the government's example and aroused by the doubling of health-care costs as a percentage of gross national product in the previous 25 years.

Much good has come of this cost squeezing. Medical inflation has been cut in half, average hospital stays have been shortened, and insurers such as Blue Cross are passing their savings back to subscribers. From the hospital industry's standpoint, however, the squeeze has meant cutthroat pressures to economize and to compete for paying customers.

A few blocks down the street from Parkland stands Medical Arts Hospital, one of the new "medical boutiques" that have carved out a market niche by offering hospital inpatients such amenities as mid-afternoon wine and cheese, fine china and silverware. Throughout the city, billboards beckon hospital patients.

Suburban shopping strips are filling up with minor-emergency centers — "Doc-in-a-Box," as the genre is called. There, "McDoctors" treat broken arms and runny noses for less money and with less waiting time than traditional general practitioners.

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Police Charge Man In IRA Bombing Aimed at Thatcher

The Associated Press
LONDON — Police have charged a Belfast man in connection with the hotel bombing in October in Brighton that killed five persons and narrowly missed Prime Minister Margaret Thatcher and members of her cabinet.
 Patrick Joseph Magee, 34, was flown to London from Scotland under heavy guard with five other suspected Irish Republican Army guerrillas. He was charged late Saturday.
 Three other men and three women were charged with other terrorism-related offenses.
 Mrs. Thatcher and most of her cabinet were in the hotel on the morning of Oct. 12 during the Conservative Party's annual conference when the explosion occurred.
 The prime minister's bathroom was shattered, but she was unhurt. Five party members were killed and more than 30 others injured, including the minister for trade and industry, Norman Tebbit, and his wife, Margaret, who remains paralyzed from the waist down after the explosion.



Norman Tebbit, British minister of trade and industry, and his wife, Margaret, who is paralyzed from the waist down as the result of an IRA bomb attack at the hotel where the Conservative Party held its conference last year, watch a tennis match at Wimbledon.

Mr. Magee and the six others charged Saturday night were charged with conspiracy to cause explosions between Jan. 1 and June 22 this year.
 The seven people had been held under the Prevention of Terrorism Act, which allows suspects to be detained without the filing of charges for up to a week. Scotland Yard announced last week that it had uncovered an IRA plot to plant bombs timed to explode in mid-July at 12 English coastal resorts.
 In addition to Mr. Magee, three men and two women were charged with conspiracy to cause explosions between Jan. 1 and June 22 this year.
 They were identified as Donal Dominic Craig, Gerald Patrick Michael McDonnell, 34, Peter John Joseph Sherry, 30, Marina Elizabeth Anderson, 23, and Ella O'Dwyer, 26.
 Mr. Sherry was an unsuccessful candidate last year for Sinn Féin, the political wing of the IRA, in local elections at Dungannon, Northern Ireland.
 Another suspect, Cecilia Lowrey, 21, was charged with failing to give authorities information about an act of terrorism.
 Scotland Yard said four other people still were being held in Glasgow and five in Lancashire in northwest England.
 Meanwhile, police in Belfast fired plastic bullets Saturday to disperse groups of youths who followed a march by the militant Protestant Orange Order.
 Marchers who participated in the traditional parade were peaceful, but the young people who followed them threw stones at police. Five officers received minor injuries, according to a spokesman for the Royal Ulster Constabulary.
 Police said youths threw rocks and bottles at officers as 300 Protestants demonstrated Friday night against a police order to route a march to avoid the Catholic area of Cookstown, west of Belfast.

Soviet Warns U.S. Policy May Thwart Arms Talks

United Press International
MOSCOW — The Soviet Union has warned that it will be forced to "reassess" the Geneva arms talks unless the United States makes drastic policy changes to break the deadlock in the 10-week negotiations.
 The warning Saturday from Tass, the Soviet news agency, came three days after a nearly identical statement by Mikhail S. Gorbachev, the Soviet leader, and was reminiscent of statements by Moscow before the Soviet Union walked out of the previous arms talks 18 months ago.
 "It is high time that Washington drastically reconsider its position at the Geneva talks," Tass said, "and abandon the attempts to use them as a cover for military programs."
 "Should the American administration continue its present policy," it said, "the Soviet Union will be compelled to reassess the current situation with due account of all its integral elements."
 On Wednesday, Mr. Gorbachev said that "if our partners in the Geneva talks carry on their line... we, of course, will have to reassess the entire situation."
 Tass did not specify its objections, but Viktor P. Karpov, the chief Soviet negotiator, said Saturday in Geneva that the United States was "violating" negotiating rules by continuing Strategic Defense Initiative anti-missile defense research.
 Mr. Karpov's comments followed a U.S.-requested meeting in Geneva, with Vice President George Bush, who said he had told Soviet negotiators that Washington remains committed to reducing nuclear arsenals.
 "I did not come here to negotiate," Mr. Bush said. "I did not come here to try to get some instant agreement. But from our side it was worthwhile to reiterate the conviction we have on the need for progress in these talks."
 Mr. Karpov said: "We have presented our views on the dangerous situation created here by the U.S. departure from the tasks and principles of the negotiations."
 President Ronald Reagan's Strategic Defense Initiative, a space-based defense system, aims to develop weapons that could destroy incoming Soviet missiles.
 Moscow wants all research on the program stopped and warns of military countermeasures. The United States refuses, maintaining that similar research also is under way in the Soviet Union.
 The Geneva talks opened in March, resuming superpower arms negotiations for the first time since the Soviet Union left the previous round at the end of 1983.
 The walkout was to protest U.S. deployment of new intermediate-range missiles in Western Europe and was preceded by months of Soviet hints and threats.

Gorbachev Is Expected To Receive State Title When Parliament Meets

Reuters
MOSCOW — The Soviet parliament is expected to appoint Mikhail S. Gorbachev, the leader of the Communist Party, as official head of state this week, Western diplomats said.
 The session of the Supreme Soviet, which meets for only a few days each year, is scheduled for Tuesday. The Communist Party Central Committee is expected to meet Monday.
 When Mr. Gorbachev was appointed general secretary of the Communist Party in March, after the death of Konstantin U. Chernenko, it appeared certain that party leaders also would grant him the title of president. Mr. Chernenko and his recent predecessors held both posts.
 Leonid I. Brezhnev was the first to acquire the title of president after Nikolai V. Podgorny was removed from the position in 1977.
 Brezhnev, who was party leader at the time, believed that the ceremonial head-of-state title, chairman of the Presidium of the Supreme Soviet, conferred extra prestige on the party chief, especially abroad. Mr. Brezhnev had held the post for four years under Khrushchev, his predecessor as party leader.
 Diplomats said there was little doubt that Mr. Gorbachev would receive the title Tuesday at the meeting, given the way that he has consolidated his personal power since taking office.
 Mr. Gorbachev, at 54 the youngest Kremlin chief since Stalin, has promoted his close allies to the top of the ruling Politburo. He also has started a campaign against corruption and has proposed economic reforms.
 His vigorous and open style of leadership, coming after a decade of direction from distant and frail party chiefs, has made a visible impression on the Soviet public.
 Foreign analysts see Mr. Gorbachev's position in the Politburo as unchallenged, despite the continuing presence in the 13-member body of elderly men who are seen as representing the interests of the entrenched party apparatus.
 Diplomatic speculation about personnel changes that could be made this week have centered on some of these men, who were appointed by Brezhnev.
 Some analysts say Prime Minister Nikolai A. Tikhonov, 50, soon may step down and be replaced by a Gorbachev ally such as Vitaly I. Vorotnikov, premier of the Russian republic.
 Others have suggested that 70-year-old Viktor V. Grishin, the city party leader in Moscow who was viewed last year as a rival to Mr. Gorbachev, could be removed from the Politburo.
 Soviet sources said Mr. Grishin had the backing of Grigory V. Romanov, 62, who has been one of Mr. Gorbachev's rivals among the younger Politburo figures.
 Rumors have been circulating in Moscow that Mr. Romanov, party secretary in charge of the defense industry, could lose his Politburo post this week.
 Few expect him to hold his post beyond the Communist Party Congress next February, when dozens of younger and better-educated officials will be appointed to the Central Committee.
 Mr. Gorbachev has given the task of preparing major personnel changes to Yegor K. Ligachev, who became a Politburo member in April.

New Polish Film Portrays a Solidarity Leader as Hero

Movie, Made With Government Funds, Contrasts Sharply With Gdansk Trial

By Michael T. Kaufman
New York Times Service
WARSAW — Four days after three Solidarity activists were sentenced to prison June 14 by a Gdansk court for planning a protest strike, a movie opened here in which an imprisoned Solidarity strike leader was portrayed in wholly sympathetic and noble terms.
 In the Warsaw movie theater where the film — originally to be called "Happy Ending" but now retitled "Without End" — was watched by an audience that included young men wearing military uniforms, the sense of paradox was at times staggering.
 After all, at the Gdansk trial, the government prosecutor and the presiding judge, a man with close ties to the ruling party, had attacked the defendants — Wladyslaw Frasyniuk, Bogdan Lis and Adam Michnik — as enemies of state for having met with Lech Walesa, the leader of the banned trade union, ostensibly to discuss plans for a 15-minute general strike that never took place.
 The trial was held beyond the view of disinterested observers, and lawyers for the defendants described the proceedings as "opera buffa" and a crude burlesque.
 In the immediate aftermath of the trial, Jerzy Urban, the government spokesman, criticized Mr. Walesa for wearing a T-shirt imprinted with a Solidarity symbol when he appeared as a witness in the case. With an ironic tone, Mr. Urban sneered at those who would regard the accused as heroes.
 And yet in the film, produced with government funds and passed by government censors, the ethical burden is different and completely contrary. Solidarity placards are shown hanging on the walls of the imprisoned strike leader's apartment, and more significantly, the man himself is depicted as honorable, admirable and a moral giant compared to those around him.
 At its core, the film, directed by Krzysztof Kieslowski, tells the story of preparations for the strike leader's trial on charges similar to those faced by the Gdansk defendants. The man's lawyer dies and the defendant's wife obtains the help of a wily old lawyer being forced to retire because of age.
 The basic tension in the movie comes from the arguments between the lawyer and client. While the defendant wants to argue the case on its merits and thus hold government policies up for scrutiny and criticism, the lawyer favors a limited strategy that stresses procedural points.
 The defendant talks of the need to preserve his dignity and favors using the trial to demonstrate injustices in daily life. The lawyer is understanding but makes it clear that his first priority is to free the defendant.
 In terms of the generations-long Polish debate, the defendant is the romantic, pure in heart and pur-

pose and linked with a national tradition of sacrifice, while the lawyer is the pragmatist, knowing in his heart that his client holds the moral high ground but trying to win the best advantage he can under the circumstances.
 Even the defendant's wife refuses to urge him to take the pragmatic approach, saying that she cannot ask him to trade dignity for freedom. Still, the lawyer prevails and the activist receives a suspended sentence. "You are free," the judge says.
 The film's original title, "Happy Ending," was intended to underscore with irony this last scene. There is no jubilation. Instead, the cinema pans to the faces of the defendant, his wife and the lawyer. They sit silently in their separate parts of the court as everyone files out, each of them reflecting shame and defeat, in recognition that principles have been compromised for the sake of tactical success.
 Like so many aspects of contemporary Polish life, there is no obvious explanation for the appearance of a film that so clearly clashes with the orchestration of the real-life Gdansk trial. In fact, the film was completed more than a year ago and its release involved long debate within party-run cultural circles.
 One argument that reportedly was raised for its release was that in light of the rich and free outpourings of writings from illegal publishers, only frank treatment of controversial themes can compete with the best of the unofficial culture and bestow some credibility on government-sanctioned works.
 For example, while "Without End" was released, another film, "The Interrogation," which showed the brutal imprisonment of a woman in the 1950s, has been withheld since it was made in 1981. Still, hundreds of video tapes of the film have been made and it has been shown widely, if illicitly, in homes and clubs and churches.
 Another possible explanation for the public screening of "Without End" lies in the sick-and-croak techniques that the government of General Wojciech Jaruzelski has adopted.
 Currently, for example, there has been a concerted crackdown on illegal publishers, with dozens of people jailed for writing and distributing clandestine books and journals.
 At the same time, Kultura, an official weekly, has been publishing a nostalgic serial about the days of Solidarity, and in the last segment reproduced words of Solidarity songs and poems that earlier could appear only in illegal publications.
 A number of readers were startled when the weekly reprinted such lyrics as these, which come from a Solidarity anthem beginning:
 From lie to lie,
 From error to error,
 From the southern hills to Gdansk,
 We have had enough insanity,
 October uprising and December too.
 After August another August,
 And in all this time, how much repression and pain.
 Finally, there is one other explanation offered by a few Polish viewers. They contend that a movie that shows the victory of cynical pragmatism over idealistic romanticism is something the censors can live with and even applaud.

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Soviet Georgia Musicians Expect Spying Charges

Reuters
MOSCOW — Two members of an unofficial musical group in Soviet Georgia are to be charged with spying, a capital offense, another group member said Sunday.
 Eduard Gudava said by telephone from Tbilisi, capital of the southern Soviet republic, that the latest move against the group, Phantom, followed searches of seven apartments on Friday by the KGB security police. Since then two band members, Svetlana Kurdiani and Marina Terzian, had disappeared, he added.
 Isai Goldstein, a computer specialist, Mr. Gudava and his brother Tengiz were among nine persons detained and questioned on Friday. Tengiz Gudava and another man were kept at the KGB's central Tbilisi prison.
 Eduard Gudava said that Mr. Goldstein was told by Colonel Marian Nashvili of the KGB to report on "clothes suitable for prison" on Monday when he and Tengiz Gudava would be arrested and charged with treason. The maximum penalty is death.
 Members of Phantom include Jews who have been refused exit visas, Christians and human rights activists.
 An American diplomat attended a concert in June by Phantom, which plays traditional Georgian folk music as well as rock. In May four American musicians were expelled after they played with Phantom at a Tbilisi apartment.
 Eduard Gudava, who said he faced lesser charges of anti-Soviet activities, also stated that, despite KGB measures, Phantom gave a concert in his apartment Saturday and 10 American tourists were present.

Regime Meets as Poles Plan Strike

The Associated Press
WARSAW — Poland's leader, General Wojciech Jaruzelski, convened a rare meeting of the National Defense Committee before a threatened one-hour strike by supporters of the outlawed Solidarity trade union.
 Solidarity leaders have urged workers to strike for one hour Monday, when the government plans to raise the cost of meat by 10 to 15 percent.
 The official Polish news agency, PAP, did not specify the purpose of Saturday's committee meeting. But there was speculation that it was called to discuss possible government responses to the strike.
 Created in November 1983, the panel has broad powers to declare a state of emergency in the face of any challenge to Communist rule.
 "The committee analyzed the key assumptions of defense of the Polish People's Republic," PAP said in a brief report. "The National Defense Committee undertook appropriate decisions on the reviewed issues." The agency did not elaborate.
 The panel had not met since June 1984, one month before the government declared a general amnesty in which more than 600 political prisoners were freed.
 The Solidarity leader, Lech Walesa, on Sunday told 10,000 churchgoers in Gdansk that he would not publicly back the strike because a state prosecutor had warned him to stop making anti-government statements.
 "People should understand that I am not afraid to go to jail," Mr. Walesa said, speaking over a loudspeaker. "But these are tactics." He added that workers "have the right to protest."
 It was unclear how workers would respond to the strike call. Solidarity has had only limited success in calling strikes since the union was outlawed in 1982.
 Solidarity had urged the government to postpone the increase in meat prices until it approved a general pay increase of about \$12.50 a month. The average monthly salary in Poland is \$107.
 Meat is rationed in Poland, with factory workers receiving nearly nine pounds (about four kilograms) a month and others five and a half pounds.

U.S. Drug Unit's Effort Called 'Minimal'

Los Angeles Times Service
WASHINGTON — Efforts of a special unit headed by Vice President George Bush to coordinate a drive to halt illicit drugs at U.S. borders have achieved "minimal" results, a U.S. Congress agency reported.
 While the National Narcotics Border Interdiction System has made some improvements in two years, according to a report issued Saturday by the General Accounting Office, it "still falls far short of what is needed to substantially reduce the flow of illegal drugs into the United States."
 President Ronald Reagan established the drug force on March 23, 1983.
 The General Accounting Office's criticism, which was challenged immediately by Mr. Bush's office, was issued against the backdrop of efforts by the Drug Enforcement Administration and other agencies to end the National Narcotics Border Interdiction System's role by folding it into the existing drug intelligence network.

William Clark, U.K. Diplomat, Dies

New York Times Service
NEW YORK — William Donald Clark, 68, a writer, diplomat and former vice president of the World Bank, died Thursday of liver cancer at his home in the Oxfordshire village of Cuxham, England. Mr. Clark was a leading Fleet Street figure in the early 1950s as a foreign affairs correspondent for The Observer. In 1955, he became press adviser to the prime minister, Sir Anthony Eden, but he resigned the next year after Britain and France invaded Egypt, which had nationalized the Suez Canal.
 He held a variety of posts at home and overseas in which he was able to indulge his passions for writing, conversation and travel. In 1968 he moved to Washington to handle public relations for the World Bank. He was vice president in charge of external relations from 1974 to 1980.
 He was born July 28, 1916, in Halwistide. After graduating from Oriel College, Oxford, he attended the University of Chicago in 1938 as a Commonwealth fellow and worked during World War II doing public relations for Britain in the United States.
 After studying and working in the United States during the war, he returned home in 1946 as Lon-

Vietnam American

Communism

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July 1, 1985

U.S. and Vietnam Considering An American Office in Hanoi

By Barbara Crosser
New York Times Service

JAKARTA — The United States and Vietnam appear willing to consider opening an American technical office in Hanoi to hasten the process of accounting for American servicemen missing since the Vietnam War, according to statements from both countries.

The Reagan administration, in a statement issued by the U.S. Embassy in Bangkok, made it clear that such a move would depend on "significantly" higher level of Vietnamese cooperation in the search for missing Americans.

The proposal has been discussed with both Hanoi and Washington by Indonesia's foreign minister, Achard Kusumaatmadja, who has been serving as go-between with Vietnam for the non-Communist Association of South-East Asian Nations in its efforts to resolve the problem of Cambodia.

Mr. Mochtar said Friday in an interview that, although Washington was reluctant to establish any presence in Hanoi that might be misconstrued as the beginning of diplomatic recognition, the idea of a technical office was very much alive.

The U.S. statement issued in Bangkok said that there did not appear to be any necessity at this time for a technical office.

But it added: "Were circumstances to change, and Vietnam's cooperation to increase significantly in such a way as to require the more frequent or even continuous deployment of technical personnel, we would give it serious consideration. This would, of course, have no relation to the issue of diplomatic relations."

Tran Ngoc Thach, a spokesman for the Vietnamese Embassy in Bangkok, confirmed that the idea was under consideration but said

that the two countries had not discussed it directly.

The United States, which does not have an official presence in Hanoi, says that progress on the issue of the missing Americans, along with the withdrawal of Vietnamese troops from Cambodia, are prerequisites to better relations. A decade after the end of the Vietnam War, more than 2,400 Americans are still listed as missing in Indochina, 1,375 of them in Vietnam.

The opening of a U.S. technical office in Hanoi, which Mr. Mochtar said that the Vietnamese are actively seeking, would establish the first permanent U.S. presence in the country in a decade.

Some Americans, among them scholars, scientists, congressional delegations, journalists and experts from the Joint Casualty Resolution Center in Hawaii, travel to Vietnam on short visits, but no U.S. organizations work there full time.



A Chinese driver stands before the fleet of new Cadillac limousines in Beijing.

Cadillac Communism Comes to China

Beijing Buys Limousine Fleet, Including 'Car of Stars'

By John F. Burns
New York Times Service

BEIJING — China, amid some ceremony, has acquired a fleet of Cadillac limousines.

Chinese officials lined up Friday to accept the 20 dark-blue vehicles, described in Cadillac brochures as "the car of the stars," each equipped with a built-in television set, refrigerator and bar.

It was the kind of occasion that left Westerners with memories of Mao's China shaking their heads in disbelief. The ceremony was held only a short bicycle ride from the stadium where Mao's enemies once were paraded in dunce caps as "capitalist roaders."

An extended or "stretch" version of the car, 18 feet (5.45 meters) long and festooned with red bunting, stood at the steps of a 29-story skyscraper that was making its own debut as a symbol of China's new directions. The building, the tallest

in Beijing, was cleaned up ahead of its official opening to allow speaking by executives of General Motors and O'Garra Coachworks, a Los Angeles-based company that delivered two similar, armor-plated vehicles for use here by President Ronald Reagan last year.

Beyond a wrought-iron railing separating the building from a broad avenue that sweeps across Beijing, hundreds of people returning from work stopped to gaze. Their comments, initially at least, were a public relations executive's dream.

"Magnificent! The most beautiful cars I've ever seen," said Huang Liang, a 25-year-old construction worker as he watched from the saddle of his Flying Pigeon bicycle. "How much do they cost, three or four thousand yuan?" At the official rate of exchange, his estimate came to just about \$1,600.

Told that the version of the limousine that had caught his eye sold in the United States for \$39,000, an amount it would take him 115 years to earn in his current job, he was dismayed. "That's a laugh," he said, using an expression of surprise common among Chinese. "Tell me you're joking."

Chinese officials were evasive when asked who would use the cars. While even under Mao the most powerful figures in the country were chauffeured around in impressive limousines, the vehicles used then were almost exclusively the Chinese-made Red Flag cars that looked like a cross between a Soviet Zil and a Cadillac of the 1960s. But the Red Flag has fallen into disfavor as unreliable and unwieldy, and Western engineers have been consulted on ways to improve it.

Deng Xiaoping, the man who succeeded to Mao's power and who has proclaimed Western-style eco-

nomie changes, is believed to favor a Mercedes-Benz for his own travel. One official at the hand-over ceremony Friday said that "state leaders" would be among those using the Cadillacs. Others said the main reason for buying the cars was to provide the comfort expected by "foreign guests," and that it was "unclear" whether such officials as Deng would use them.

"It will depend on the opportunities," said Rong Yiren, chairman of the China International Trust and Investment Corp., which bought the cars. Although General Motors described the Cadillacs as the first ever delivered to China, Mr. Rong acknowledged after the ceremony that he had owned one in the 1940s, when his family was one of the richest in China. When the Communists took power in 1949, most of the family fled but Mr. Rong, now in his late 60s, remained.

Pakistani Banks Cease Interest-Based Accounts

Reuters

KARACHI, Pakistan — Banks in Pakistan will stop accepting interest-bearing deposits or open new interest-based savings accounts, starting Monday, in the latest phase of the government's plan to reorganize its banking system along Islamic lines. Existing accounts will be converted into so-called profit-and-loss sharing accounts.

The change also applies to foreign banks in Pakistan. It is part of a move by President Mohammed Zia ul-Haq to enforce an Islamic order in Pakistan. Islam forbids the receiving or paying of interest but allows borrowers and lenders to share profits and losses.

Chinese, Russians Agree to Re-open 2 Key Consulates

The Associated Press

BEIJING — China and the Soviet Union have agreed to re-establish consulates in Leningrad and Shanghai after a lapse of nearly 20 years, according to the government.

The latest indication of a thaw in relations came shortly before Deputy Prime Minister Yao Yulin's visit to Moscow to sign a long-term trade pact.

A Foreign Ministry statement said Saturday that the two countries also had agreed to simplify visa procedures. It did not give details and did not say when the consulates would re-open.

"China and the Soviet Union have reached agreement on the setting up of a consulate-general respectively in each other's country, namely a Chinese consulate in Leningrad and a Soviet consulate in Shanghai," the statement said.

The consulates functioned until 1966, six years after the start of the feud between Moscow and Beijing. They closed with the onset of the Cultural Revolution in China. Em-

Italian Police Recover Stolen Painting by Brill

The Associated Press

ROME — Police searching for a kidnapped woman have recovered a painting by Paul Brill, a Renaissance master, that was stolen from Rome's Capitoline Museum on June 4. Brill, a Flemish artist, lived from 1554 to 1626. The painting was valued at \$25,000.

The painting, "Pilgrims of Emmaus," was found Saturday at a deserted farm north of Rome, police said. They were searching for Marchesa Isabella Guglielmi, 37, who was abducted by three gunmen from her estate in that same area early Thursday. The police said they found the painting by chance.

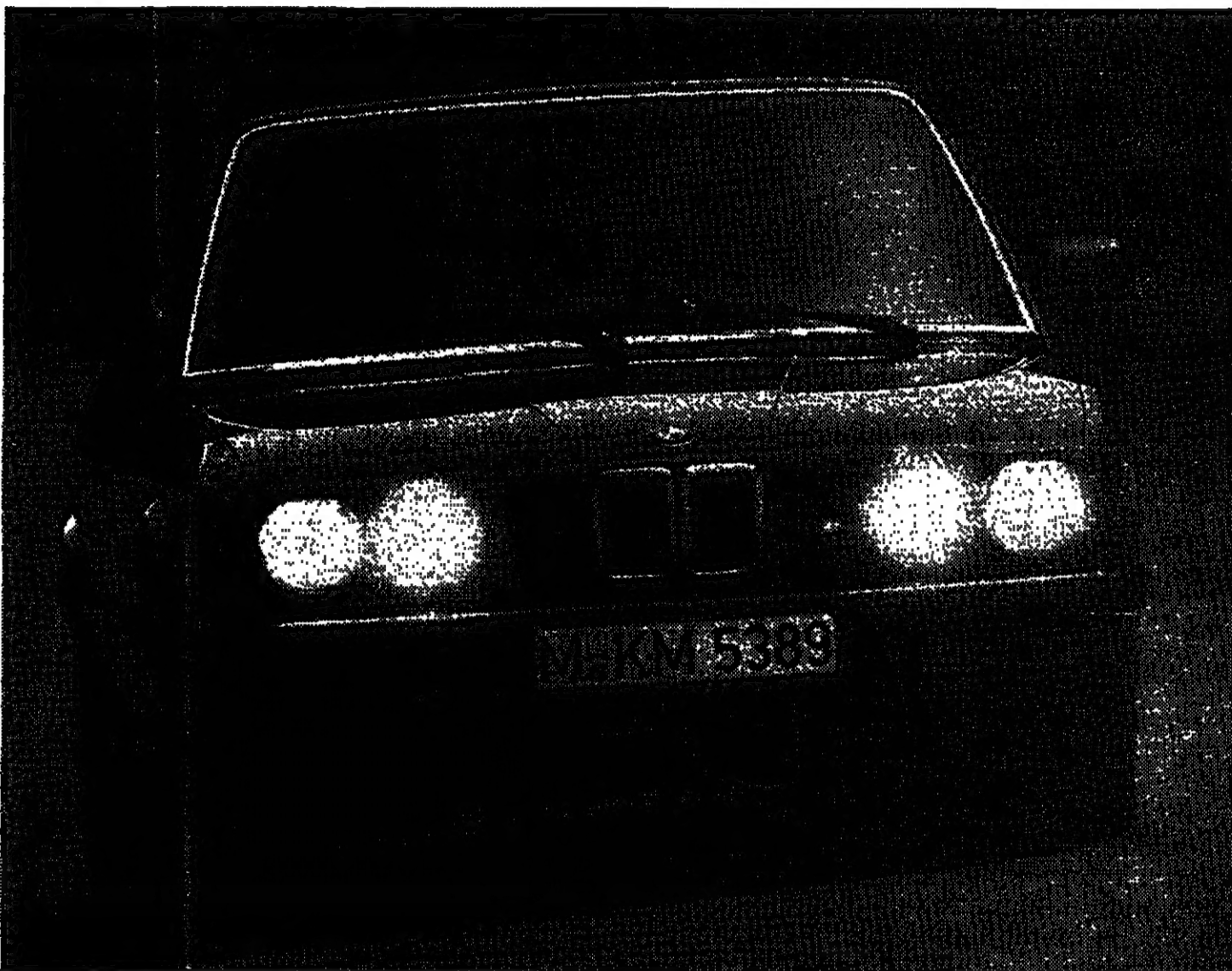
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BMW AG, Munich

Herald Tribune

Published With The New York Times and The Washington Post

Quebec After Lévesque

The recent resignation of Quebec's premier, René Lévesque, marks the end of a turbulent chapter in Quebec's and Canada's history. Ostensibly, Mr. Lévesque leaves office under a political cloud. His Parti Québécois trails the opposition Liberal Party by more than two-to-one in the polls and seems sure to lose the next provincial election. The party is split between those who agree with Mr. Lévesque's emphasis on economic issues and those who want to fight the next election on the issue of separatism from the rest of Canada. Clearly the party has failed in its purpose of separating mostly French-speaking Quebec from the mostly English-speaking remainder of the country.

Yet in another sense Mr. Lévesque and his movement have been successful. They have resolved, though at some cost, a difficult problem that deeply affects the daily lives and prospects of about six million residents of Quebec. The problem is language, and it came to the fore in the 1960s. Quebec's French-speakers, part of a tradition-bound rural society, educated only scantily in church schools, suddenly were receiving the education they needed to get ahead in industrial North America. But in the big office buildings of Montreal, important business was conducted in English.

Mr. Lévesque's party came to power in 1976 and passed a series of laws requiring the use of French in everyday life. This was costly. Many businesses left Montreal. It was often unfair to individuals. Yet it opened opportunities to those whose first language was French.

Mr. Lévesque was less successful in his goal of achieving separation of Quebec from the rest of Canada. His 1980 referendum calling for some form of independence was rejected not only by the English-speaking minority but also by the French-speaking majority in Quebec. In a recent poll, only 4 percent of Quebec respondents said they favored independence.

The road for the Parti Québécois has been mostly downhill since. But the party has been the victim just as much of its success as of its failures. The problem that it and Canada's federal government have been grappling with is not likely to recur. Economically, if not linguistically, Quebec is part of industrial North America. Politically, Quebec is firmly, if still a bit uncomfortably, part of Canada. That is a solution — and given the passions and the violence that attended the politics of separatism, it is one of the better solutions that could have been imagined.

—THE WASHINGTON POST.

Downward, Refreshingly

A few weeks ago the Northrop Corp. offered to sell the U.S. Air Force the new F-20 fighter jet for less than the service is paying for General Dynamics' F-16. Northrop said the planes are generally comparable, so it offered an amount to equal firepower at a lower cost. Now General Dynamics has countered by offering to sell a somewhat stripped-down F-16 for less than an F-20. The company said it is responding not so much to Northrop as to general "budget pressures" and to an apparent new willingness by the air force to have its planes outfitted according to their specific missions. A customized plane needs less equipment than one such as the existing F-16, which is built for a variety of roles.

It is not every day that two defense contractors compete downward; competition works, as defense reformers said it would. Northrop's offer, born of an inability to sell the F-20 abroad, and General Dynamics' response created a buyer's market. Buyers are the buyers. The home team wins one for a change.

The air force could also win. The prices of tactical aircraft have increased mightily in recent years. A fully equipped F-16 now costs about \$20 million (the air force's most sophisticated fighter, the F-15, costs still more). Gen-

eral Dynamics says it can cut that cost by about \$6 million on customized planes. The air force is in the process of buying more than 700 F-16s. The new proposals would let it buy the same number of planes for fewer dollars or, as General Dynamics noted hopefully in its offer, more planes for the same number of dollars. Who can be against that?

There is, however, another dimension to this competition. The companies are not simply squeezing their prices on a product; they are squeezing the product. They are offering to sell the air force lesser airplanes. This is a case of competition acting as a check not just on the contractors but on the ambitions of the service as well. To those who think too many weapons are "gold-plated," this may be good news.

But military arguments ought to be heard along with fiscal ones. Defense Secretary Caspar Weinberger warned last year against buying the F-20 on the ground that it "cannot meet our needs for a decade or more." That issue is to be reviewed by defense planners next month. The Pentagon ought to buy the cheapest planes possible. But it should not be driven by good procurement salesmanship to make bad weapons decisions.

—THE WASHINGTON POST.

Young and Poor in America

A serious measure of a society is how it treats its children, and by that measure, the United States is in trouble. In the last few years, children have become, before our very eyes, the poorest segment of the population, and every day brings new evidence that their plight is, if anything, growing worse. Think of a social ill: unemployment, continuing at a rate that would have alarmed Americans 20 years ago... the decline in family and rise in single-family homes... the increase in hungry Americans... All affect children worst. It is a tragedy to think of solving all such social ills, but it is only decent to think of trying to do the next best thing: saving the next generation.

According to recent Congressional reports, children now constitute 40 percent of the nation's poor — nearly 14 million youngsters. One of five young Americans lives in poverty. The proportion is already twice that for poor people in general, and it is growing. More than half of poor children live in female-headed households, most of which are poor almost by definition. The mothers are likely to be young, unmarried, undereducated and incapable of earning more than poverty wages. Nor are things improving. The number of illegitimate births is rising. In 1980, nearly 20 percent of all births, and nearly half of black births, were to unwed mothers. A new study by the Children's Defense Fund shows how black children, especially, have been "sliding backward" over the last five

years. They are now twice as likely as white children to die before their first birthday, three times as likely to be poor, and five times as likely to live in welfare.

Though the need for governmental action seems obvious, there is no consensus on what should be done. President Reagan's proposed tax revision would reduce the tax burden for poor families, but that promise is offset by his plan to eliminate deductions for state and local taxes. Senators Daniel Patrick Moynihan of New York and Christopher Dodd of Connecticut are pushing two measures that aim to help poor children through a combination of tax relief and better social-service programs.

Mr. Moynihan would establish a minimum benefit level for families receiving welfare and food stamps. He would give welfare benefits even to two-parent families while helping the states to reduce welfare dependency with work programs. Mr. Dodd, more ambitiously, would raise the minimum wage from \$3.35 to \$4 an hour and increase funding for child health, welfare and education programs. Both measures would expand efforts to reduce teenage pregnancy. These bills may not offer the right mix of remedies and they are expensive, costing from \$6 billion to \$14 billion a year. What they say above all, however, is that inaction is a greater sin, and still more expensive. A society whose children are the poorest citizens loses every claim to greatness.

—THE NEW YORK TIMES.

Other Opinion

When Policy Is Hijacked

No amount of rejoicing at the hostages' promised deliverance should blind anyone to the fact that terrorism has secured a victory while international order has suffered. There can be no doubting the brutality of those who seized the TWA 727. The body of a marine

bears witness to that. But that does not excuse some of the alarming reactions in America. If some U.S. spokesmen had their way, this crisis would have ended with the bang of a bomb: there could be no more vivid demonstration of the price we pay for the United States allowing its [Mideast] policy to be "hijacked."

—The Observer (London).

FROM OUR JULY 1 PAGES, 75 AND 50 YEARS AGO

1910: 'Black Hand' Says It Killed Boy
NEW YORK — Dr. Mariano Scimeca, the wealthy Italian physician of this city whose four-year-old son, Michael, was kidnapped some ten days ago, received a telephone message (on June 30) from an unidentified member of the Black Hand, stating that the child had been killed by the kidnappers because the ransom of \$8,000 was not paid at the required time. Dr. Scimeca was warned that his second child, Gustavo, who is only seven months old, would be the next to be taken if the ransom were not paid. It is believed that the physician has been marked down by the Black Hand because he was an intimate friend of Lieutenant Petrosino, who was active in pursuing the gang, and who was killed by the Black Hand in Sicily several months ago.

1935: Electioneering in an Edgy Spain
MADRID — "For God and the Country" is the slogan for a nation-wide political campaign which was opened [on June 30] by Don José Gil-Robles, the War Minister, and five other Ministers of the Catholic Popular Action and Agrarian parties with two huge open-air meetings, one in the ancient Castilian town of Medina del Campo, and the other in Valencia, the center of Left Republicanism. Meanwhile, Barcelona, the stronghold of anti-clericalism and syndicalism, is under martial law by order of the government. Señor Robles, the Catholic Popular Action leader, flew to the Catalan capital [on June 29] and decreed that persons responsible for disturbances in the city shall be subject to summary jurisdiction by military tribunals immediately after they are captured.

The Walls Close In on White South Africa

By Stanley Uys

LONDON — A namesake of mine in South Africa, who makes a handsome living satirizing the government's race policies, once wrote a play called "Paradise Is Closing Down." It was about whites suddenly finding their situation reversed — instead of being on the outside, looking into the black enclosures, they were in their own enclosures, looking out.

The first glimmerings of this situation can be detected in the present unrest in the country. In the Kirkwood area of the Eastern Cape, white farmers are fencing their properties, installing floodlighting, and calling for night patrols. In Kwanobule black township, the homes of all 32 black policemen, representatives of the white authority, have been destroyed, and the policemen and their families live now under protection in a new block. Similarly, in the Transvaal, many black councillors — "wealthy collaborators" — are being given collective protection.

Not too much should be made of this yet. The segregated white suburbs are still insulated from black unrest and the capacity of the white state to lash back has scarcely been tested. But there is no doubt that a qualitative change has come over the black struggle in South Africa. Nothing quite like this has been seen before, even after the Sharpeville massacre in 1960 or Soweto in 1976.

Minister of Police Louis le Grange has disclosed that 381 blacks died in the unrest in the first four months of this year and 1,500 were injured. No one has suspected the figures were so high. Some blacks were killed by the police, others by fellow-blacks. The minister said the unrest was spreading and that the situation was "extremely worrying."

The African National Congress, in exile now for 25 years, is jubilant. Last February, it called on South Africa's urban blacks to make their townships ungovernable, and almost immediately they responded. Now the ANC has issued a statement from its Lusaka headquarters. "The future is within our grasp," it said, claiming that the legitimacy of white authority had been "largely destroyed" in black townships and that "the conditions for a revolutionary leap forward are beginning to mature." The ANC believes the white ruling class is in "economic and political crisis."

In its long years in exile, the ANC has delivered a fair number of wildly unrealistic prophecies, but this statement has a new ring of self-confidence and excitement, exuding a new perception of the future.

The ANC's February call fell on receptive ears because the timing was right. A combination of factors had produced just the right climate among urban blacks.

First, close to a quarter of the black labor force in South Africa is unemployed. And an academic, Professor Hermann Giliomee, claims that "half of the black population now lives in absolute poverty."

Second, the Nkomati Accord severed the ANC's trails into South Africa, and the effect of this has been to intensify the black struggle.

Third, the new black trade union movement has reached take-off. It is on the verge of becoming a dominant factor in black politics.

Fourth, President Pieter Botha's repeated talk of apartheid reform has convinced opponents of apartheid that a critical point has been reached where apartheid is on the defensive.

Mr. Botha and his ministers admit now that apartheid is obsolete — that it is a pre-industrial ideology unfitted for a post-industrial country. South Africa has confirmed its "boom" village's thesis that the dangerous moment for a bad government comes when it introduces reforms.

This explains why recent apartheid reforms have had so little internal and international impact. Measured against apartheid principles, some of these reforms are of fundamental importance. But because Mr. Botha himself has been undermining the credibility of apartheid ideology since 1979, his opponents now focus on the dismantling of the structure.

To dismiss all apartheid reforms as cosmetic is to accept that apartheid is static: that it is durable, impervious to pressure. It implies, too, that the whites of South Africa are unable to perceive that their whole lifestyle is being endangered, and too stupid to know how to try to save it. The ANC, in its own way, begins to correct this superficial dismissal of the significance of the reforms.

Every reform affects the psychological balance between ruler and ruled and cannot therefore be dismissed as "meaningless." The ANC statement is nearer the mark when it interprets the reforms as symptoms of a "deepening crisis" in the South African government. What is happening is that the ideology of apartheid, which has underpinned the system of white rule since 1948, is breaking up. White rule can continue without it, but it gave the system a cohesion and, in Afrikaner eyes, a legitimacy that will no longer be there. The resultant confusion is important psychologically for Afrikaners. They are not merely quarrelling, they are deeply split.

To expect Mr. Botha at this stage to grant blacks "meaningful political rights" is to miss the point of the current process. By the time he is ready to give blacks these rights, the game will be over. This is the end of the process of change, not the start.

The turmoil will alter the whole pattern of white politics, terminating the structure whereby Afrikaner rule is superimposed on white rule, and bringing, first, the more pragmatic English-speaking whites into the decision-making process, and then black leaders themselves.

There can be no doubt now that Mr. Botha is preparing to talk to some of his black political opponents, starting probably with Chief Gatsiba Buthe, but also including, possibly, Bishop Desmond Tutu, Dr. Ntshamo Molana, and others.

Mr. Botha must know, too, that there is no point in talking to black leaders unless he has something to talk to them about. This means talking eventually about a federal system of government for South Africa. The scene of these talks would be the

"national forum" he wants to set up, and which some of his advisers are already suggesting should be expanded into a national convention.

Some observers believe the present unrest will subside and the black townships be made governable again only if recognized black leaders can be persuaded to talk to their people — that no act of reform (outside of granting the vote) can restore calm.

Consultation between Mr. Botha's government and credible black leaders, therefore, is the key to evolutionary change. But where does this leave the ANC, the oldest and most important black organization?

A few months ago, South Africa buzzed with talk of negotiations between ANC leaders and prominent South Africans. While it was accepted that the time was not ripe for the ANC and Mr. Botha's government to

talk face-to-face, it was hoped, nevertheless, that others might take Mr. Botha's place, particularly business.

An important change has come over business: It has made up its mind, finally, that it is not going to go down the drain with apartheid. One demand it is making is to abolish pass laws — about as dramatic a step as any government could take.

But recent indications are that the ANC does not want to talk to organized business just yet. Whether this is because it is preparing for its watershed post-Nkomati conference to be held soon, and does not want to be seen fraternizing with the enemy, or whether the motive goes deeper — an intensification, perhaps, of the armed struggle, is still to be seen.

But if ever white and black South Africans are to come together to build a common society, and not de-

stroy each other, the government and the ANC will have to talk. Apart from Chief Buthe's huge, but largely Zulu-based Inkatha, there is no black group with the ANC's experience, influence and stability.

The day is coming when Mr. Botha will need to talk to black leaders who can speak for their people; only they can bring the townships back into governability. The present vacuum in organized black leadership could easily produce a dangerous anarchy.

As Professor Giliomee writes: "White South Africa should once and for all learn the lesson that there is one thing more dangerous than a strong black political party, and that is the absence of it."

The author, a South African, is a free-lance writer who has been a correspondent for several British and South African newspapers. This is adapted from an article in *The Guardian*.

Stockman: Truth With a Sharp Edge

By James Reston

WASHINGTON — For the first time since the last world war, according to the U.S. Treasury, the national government in May spent more than twice as much money as it took in. This set a new monthly budget deficit of \$40.5 billion.

Also, according to the Commerce Department, the nation's trade deficit amounted to \$12.7 billion in May, the second highest on record. U.S. imports that month rose to a near-record of \$30.1 billion, while exports sank to the lowest level in 15 months.

These were the administration's own reports of the facts, and its reaction to these facts was interesting when David Stockman, the director of the Office of Management and Budget, spoke privately about them June 5 in Washington to directors of the New York Stock Exchange and several members of Congress.

Mr. Stockman, who always seems to get in trouble around here for telling the truth, said that unless President Reagan and the Congress agreed to raise taxes, the federal deficit would probably remain around \$200 billion a year through 1988.

"As a policy matter," Mr. Stockman said, "it is obvious enough that to close this threatening \$200-billion budget gap, we must either massively cut spending or raise taxes by large, unprecedented magnitudes — or by the likes of some, enact a sweeping mixture of both."

The New York Times got a copy of this speech and reported it on the front page (see *NYT*, June 25-30). "As the fiscal crisis has worsened and the political conflict intensified," Mr. Stockman said, "we [he spoke for both the administration and Congress] have increasingly resorted to squaring the circle with accounting gimmicks, evasions, half-truths and downright dishonesty in our budget numbers, debate and advocacy."

The Times reported this and more under the headline "Stockman Says Tax Increase May Be Best Budget Solution." This headline, not supported by the story, gave the impression that Mr. Stockman favored a tax increase, though he merely called it an option. So the administration ignored the burden of the speech and turned its anger on the headline.

Mr. Stockman's off-the-record speech — as if anything said before 50 stockbrokers, congressmen and their wives can be off the record — may have been imprudent politically, but nobody could question the accuracy of his facts or the clarity of his criticism of the administration and the Congress.

"The degree of political divisions and policy conflict within our governing institutions has now reached such an extreme and intense state that it is nearly impossible to see where the political will and consensus will come from that is necessary to exact any plan big enough to balance the books — or even substantially close the gap," he said.

"The basic fact is that we are violating badly, even wantonly, the cardinal rule of sound public finance: Governments must extract from the people in taxes what they disburse in benefits, services and protections. Perhaps not every year, but certainly over any intermediate period of time."

"Indeed," Mr. Stockman added, "if the Securities and Exchange Com-

mission had jurisdiction over the executive and legislative branches, many of us would be in jail."

How did the administration react? It not only denied the headline but also the body of the speech. "He didn't say it," President Reagan said on his way back from Chicago. "The story is fallacious. We have the speech. We know what he said."

Larry Speakes, the White House spokesman, said the Times story was "totally off base," and suggested that the reporter "ought to have his mouth washed out with soap."

Even Ed Dale, an old Times reporter who is now Mr. Stockman's news secretary, said his boss's remarks were "completely distorted."

Well, as the president is always saying, all you have to do is read in the Times the text of what Mr. Stockman said, and judge for yourself. The responses of Mr. Stockman's masters in the White House are a diversion and a disgrace.

Mr. Stockman laid it on the line: The government spent twice as much in May as it took in. But he was not to blame, said the president and his aides. The Times was to blame.

The New York Times.

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... And the Last Shall (Finally) Be First

By Richard Cohen

WASHINGTON — Archie Lowellyn Grant, 84, died yesterday in a nursing home in Ocala, Florida, following a short illness. He was the last driver to have signaled before turning.

Mr. Grant, known to generations of school kids as "Mr. Last," claimed to have made the turn that made him famous in 1984. He was driving in Washington at the time, and was about to make a right turn on Connecticut Avenue when for some reason he signaled his intentions. "I don't know what got into me," he said later. "I just flipped the stalk and the signal went on."

Mr. Grant's claim was never officially verified, but most scholars of extinct customs take him at his word. In fact, the more they studied him, the more they respected him because that he was the last person to do a number of things. He was, for instance, the last person to stop for a yellow light, come to a complete stop at a stop sign or give pedestrians the right of way. He was also the last person to turn down his car radio at night when his windows were open.

Mr. Grant was a retired, fastidious man, was also the last person to say "thank you" to strangers and to hold the door for someone behind him. He never opened his car door into traffic (the last person not to do that) and was the last person not to ask "Who's this?" when suspecting he had called a wrong number.

A native of Washington, Mr. Grant was in the last graduating class of the old Technical High School, then went to work at the old War Department. He was the last person to call it by that name. In 1984 he called a Freedom Fighter a mercenary and then, giggling at what he had done, apologized.

After his move to Florida, school children visiting Disney World came to see him. He would tell them some of the things that he had been the last to do. He was the last person to read an entire book, eat hot pasta, become engaged before marriage, never have ham and cheese on a croissant, and never wear colored underwear. "White is the only color for me," he would assert.

Mr. Grant had other "lasts" to his credit. He was the last person ever to have been in therapy, to have been married only once and to be absolutely sure he was a hetero-

sexual. He was also the last person to have worn knickers in his youth and to have been in a movie theater with more than 100 seats. He claimed to be the last person to have paid less than \$2 for a box of popcorn, but scholars disputed that assertion. He was indisputably the last person to have gone to a "men's only" barber shop and, shortly before his death, he became the last person never to have jogged. He was very proud of that.

Even in speech, Mr. Grant completed some last. He was the last person to say ice box or phonograph or (in 1974) Victrola. Until the end, he spoke of Armistice Day, not Veterans Day, and he never knew what President's Day was.

Until the end, Mr. Grant repeated school children with the way things used to be. Just last Friday, he told some kids how he had been the last person to have eaten plain vanilla ice cream, to have had his groceries packed in a paper bag at Safeway, and not to have been computer literate. None of the kids believed him: one of them cried.

Mr. Grant is survived by his wife, Martha, and a son, Walter. There were no last words.

Washington Post Writers Group.

LETTERS TO THE EDITOR

America: Bully in the UN?

In his opinion column "UN Friends Can Easily Be Counted" (June 21), Senator Robert J. Kastner Jr. bemoans the lack of support that the United States finds at the United Nations and suggests that "Congress should keep this widespread lack of support at the United Nations in mind when it reviews requests for foreign assistance."

The idea that the United Nations is a forum for which support of the United States can be bought, or alternatively demanded under duress, is repugnant. It is surely the one place where all nations should be free to vote according to their own interests and to what they perceive as the interests of the world at large.

Increasingly blatantly, United States attempts to force other nations to toe the U.S. line, and shows anger when they don't. Growing global anti-Americanism has been a concern of the Reagan administration but only as something to be countered by "correcting those who misunderstand

us," never as cause for introspection. Acts of terrorism against the United States in the Middle East have been described variously as the rage of fanatics and as just evidence of the spread of lawlessness, and both are true to some extent. However, it is not also symptomatic of the increasing frustration of the less powerful directed against what appears to many to be the self-appointed global policeman, whose might has often enabled him to get his way without much insight or understanding of others' views?

Despite numerous setbacks from Vietnam to Nicaragua, from Tehran to Beirut, successive American administrations have failed to hear the message that it is so apparent to non-Americans everywhere. It is perhaps in the nature of superpowers to be deaf. No doubt Britain was also deaf at the height of and in the declining years of the British Empire. I would not know. I did not hear anything, nor did my ancestors.

Sir JOHN WHITMORE, London.

Perhaps Senator Kastner would prefer the United States to adopt the Soviet system. Then recipients of U.S. aid might vote with it 95 percent or 100 percent of the time.

DAN GERBER, Châteaufort, Belgium.

While attending the UN special session on disarmament in 1982 as foreign minister for Bangladesh, I was able to meet both with Foreign Minister Andrei Gromyko and U.S. Ambassador Jeane Kirkpatrick.

The Soviet minister was not pleased with our positions on Afghanistan and Cambodia. He remained silent when I explained that we had carefully considered both matters at meetings of the Islamic Conference Organization and the Nonaligned Movement and that our UN votes on these issues reflected both our national sentiments and our commitments to the two conferences.

At the meeting with Mrs. Kirkpatrick, I learned that her mission had prepared a "score sheet" based on voting records. She told me it was a

Taiwan's Choices On China

By Guo-Cang Huan

WASHINGTON — Deng Xiaoping's proposed "one state, two systems" formula for reunification of Taiwan and the mainland presents the Taipei government with four possible responses. The wisest is to seek to reduce tensions and expand informal contacts.

First is a "cold war" policy with the stated aim of reunifying China under Taipei's rule. Taipei would reject direct trade with Beijing, limit indirect trade and further minimize informal contacts between the mainland and Taiwan. Taipei would increase defense spending, continue to compete with Beijing in international institutions and make every effort to damage Chinese-American relations.

Taiwan would then face the possibility of an invasion, or at least a blockade, from the mainland. This policy would slow Taiwan's social and political pluralization and heighten political struggles between conservatives and liberals. Taiwan's economic upgrading program would be damaged, for businessmen would be pushed to channel more of their investment overseas, and the educated elite would be discouraged from returning to the island. Foreign investors would be less inclined to move capital and technology there.

If Taipei chose another road, independence, its internal politics would be destabilized. The Kuomintang, whose authority rests on the claim that it is the true government of all China, would lose legitimacy. Political conflicts would heighten between supporters and foes of independence.

Facing a prospectively independent Taiwan, Beijing would be tempted to launch a pre-emptive strike because of strong nationalism and fear that a "do nothing" policy would damage its international credibility. Independent Taiwan would be more isolated than ever. No major power would be likely to recognize its new status. Washington would publicly support it only at the risk of confronting Beijing and changing a fundamental change in the Pacific power balance. Taipei might lose most informal or nongovernment contacts with other nations and international organizations.

A third — at present, theoretical — option is that Taipei could accept Beijing's proposal of reunification in the near future. This would relieve Taipei of immediate fears of a pre-emptive attack, but would ignite an internal political upheaval.

The fourth, and wisest, option is to reduce tensions and expand contacts, even informal ones, with Beijing, but not start formal negotiations about Taiwan's future status immediately. Taipei pursued this policy somewhat from 1981 to last summer. This involves a gradual shift away from the aim of reunification under Kuomintang rule. The key policy issue would no longer be whether both sides should talk but when and how.

In this period, while both sides maintained well-trained military forces, Taipei could shore up its political support in America and be more flexible about its status in international forums. Tensions could be decreased by Taipei's reducing hostile propaganda and provocative military and intelligence operations against the mainland. There could be gradual reduction of curbs on direct trade, an exchange of mail and travel and encouragement of "people-to-people" contacts and scholarly exchanges.

For this approach to be adopted, a liberal group with broad support must play a key policy-making role in Taipei, and Beijing must continue its reform program and "open door" policy, and pursue moderation toward Hong Kong and Taiwan.

This overall approach would reduce the possibility of military attack by Beijing and gradually create an atmosphere of mail and travel and encouragement of "people-to-people" contacts and scholarly exchanges. For this approach to be adopted, a liberal group with broad support must play a key policy-making role in Taipei, and Beijing must continue its reform program and "open door" policy, and pursue moderation toward Hong Kong and Taiwan.

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It took both sides 30 years to undertake policy shifts toward each other. Time, and a well-reasoned approach, might allow further progress toward peaceful reunification.

The writer, a graduate of the Institute of World Economics and Politics of the Chinese Academy of Social Sciences, in Beijing, is a senior foreign policy expert. This was adapted by The New York Times from an article in *Foreign Affairs*.

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FIXED RATE NOTES						
Banco Nazionale del Lavoro	\$100	1997	1/4	100	98.75	Over 3-month Libor, minimum 12%, Noncallable, Fees 0.65%, Denominations \$10,000.
Banque Paribas	\$100	1992	1/4	100	99.40	Over 3-month Libor, minimum 12%, Noncallable, Fees 0.65%, Denominations \$10,000.
Banque Paribas	\$300	1997	1/4	100	99.50	Over 6-month Libor, minimum 12%, Noncallable, Fees 0.65%, Denominations \$10,000.
Manufacturers Hanover	\$100	1997	1/4	100	99.50	Over 3-month Libor, minimum 12%, Noncallable, Fees 0.65%, Denominations \$10,000.
National Australia Bank	\$100	1997	1/4	100	99.40	Over 6-month Libor, minimum 12%, Noncallable, Fees 0.65%, Denominations \$10,000.
Nederlandsche Middenstandsbank	\$100	1992	1/4	100	99.45	Over 6-month Libor, minimum 12%, Noncallable, Fees 0.65%, Denominations \$10,000.
Taiyo Kobe Finance	\$100	1997	1/4	100	99.40	Over 3-month Libor, minimum 12%, Noncallable, Fees 0.75%, Denominations \$10,000.
Wells Fargo	\$100	1997	1/4	100	99.40	Over 3-month Libor, minimum 12%, Collateralized by mortgage participation certificates, Fees 0.75%, Denominations \$10,000.
FIXED-COUPON						
Barclays Bank Finance	\$250	1990	10 1/4	100 1/4	98.73	Noncallable, Denominations \$10,000.
Middleton Trust	\$ 68	1993	10 1/4	100	—	Noncallable, Sinking fund to produce a 5-yr average life.
Middleton Trust	\$102	1998	10 1/4	100	—	Noncallable, Sinking fund to produce a 11-yr average life.
Middleton Trust	\$ 37	2010	zero	100	—	Yield 11.98%, Noncallable. In 1998, sinking fund will start redeeming capital plus accrued interest (approx. \$21,193 for each \$5,000 note), and issue will become a fixed-interest, 11.98% bond.
Nippon Telegraph & Telephone	\$100	1992	10	99 1/4	100.00	Noncallable.
Rockwell	\$200	1990	9 1/4	99 1/4	98.00	Noncallable.
Seto	\$170	1990	10	100 1/4	99.13	Noncallable, Denominations \$10,000.
Tokai Electric Power	\$100	1992	10 1/4	100 1/4	100.25	Noncallable.
Intercontinental Rubber Finance	DM 150	2000	zero	36 1/4	35.50	Yield 6.95%, Proceeds \$3 million euros.
World Bank	DM 200	1990	7	100 1/4	100.38	Noncallable private placement.
Club Med Inc.	ECU 50	1988	9	100	99.88	Noncallable.
Kyushu Electric Power	ECU 60	1991	9	100	98.25	Noncallable, Sinking fund to produce a 5.3-yr average life.
Nippon Metal Industries	ECU 20	1990	9	100	97.75	Noncallable.
Union Bank of Finland	ECU 15	1992	9 1/4	100	98.38	Noncallable.
Southland Canada	CS 50	1992	12	100 1/4	—	Collateral at 101 1/4 in 1990.
Commonwealth Bank of Australia	Aus 125	1990	12 1/4	100 1/4	—	Noncallable, Increased from Aus\$100 million.
DFC Finance	Aus 50	1990	13	100 1/4	98.75	Noncallable.
Erste Österreichische Spar-Casse Bank	Aus 60	1990	13 1/4	100 1/4	—	Noncallable, Increased from Aus\$40 million.
Midland Int'l Australia	Aus 50	1990	13 1/4	100 1/4	98.13	Noncallable.
New South Wales Treasury Corp.	Aus 50	1992	12 1/4	100 1/4	99.38	Noncallable.
Toronto Dominion Bank	Can 50	1988	16 1/4	100	98.00	Noncallable.
EQUITY-LINKED						
BSN	\$ 75	2000	6 1/4	100	98.25	Collateral at 103 in 1989. Convertible at 2,825 francs per share and at 9.32 francs per dollar.
Kyotaru	\$ 30	1995	3 1/4	100	99.00	Semiannual, Collateral at 102 1/2 in 1990. Convertible at 1,750 yen per share and at 249.80 yen per dollar.
Mitsubishi Bank	\$100	2000	open	100	—	Coupon indicated at 3%. Noncallable. Convertible at an expected 3% premium. Terms to be set July 7.
Sandax Holdings Nederland	\$99.54	1997	4 1/4	100	—	Collateral at 103 1/4 in 1990. Convertible into participation certificates of \$89 per certificate.
Tokyo Department Stores	\$ 50	1990	7 1/4	100	—	Noncallable. Each \$3,000 note with one warrant exercisable into shares at \$24 per share and at 250 yen per dollar.
Trio-Kanwood	\$ 35	1995	open	100	—	Semiannual coupon indicated at 2 1/4%. Collateral at 104 in 1988. Convertible at an expected 3% premium. Terms to be set July 7.
Viacom Int'l	\$ 50	2000	7 1/4	100	98.50	Collateral at 106 in 1985. Convertible at \$55 a share, at 11.96% premium.
BHF Bank Finance	DM 150	1995	7	115	—	Yield 5.05%, Collateral at 100 1/4 in 1992. Each 1,000-mark note with 3 warrants, each exercisable into shares of 323 marks each, at 0.45% discount.
Compagnie Générale des Etablissements Michelin	FF 500	2000	open	100	—	Coupon indicated at 7-7 1/2%. Redeemable at par in 1990 for a 10%-10 1/2% yield. Convertible at an expected 20-25%. Terms to be set July 7.

Data Seen Sustaining Bond Rally

By James Sterngold
New York Times Service

NEW YORK — Economists studying recent U.S. economic data are generally concluding that the outlook is troubled, a perception that appears likely to sustain the bond market rally that developed at the end of last week.

There continues to be a mix of data to interpret for signs of whether the recovery is in a lull, off-track completely or about to take off. But there is confidence that the Federal Reserve Board will maintain its accommodative stance, keeping downward pressure on interest rates.

U.S. CREDIT MARKETS

Rates have come down faster and sooner than I expected, but they have had to because of the problems in the economy," said Edward Vardini, chief economist for Prudential-Bache Securities. "Overall, despite the occasional sign to the contrary, the economy is lackluster. The market will retain its basic bullish bias."

The U.S. government estimated two weeks ago that the economy was growing at a relatively robust 3.1-percent annual rate in the second quarter. The projection shook the bond market, and prices tumbled.

Toward the end of last week, however, perceptions shifted. The Treasury's new estimate of gross domestic product for the second quarter, which it said \$17 billion of new securities over 3 days last week — did not dampen the market.

"We saw record demand last week from both the U.S. and abroad to soak up all the supply," said Scott Pardee, executive vice president at Discount Corp. of New York, a bond dealer.

A factor in the background is the resignation from the Fed's board of governors of Lyle E. Gramley, regarded as a conservative about keeping the money supply and the economy growing at a restrained pace.

His departure allows the Reagan administration, which favors an easier-credit, faster-growth policy, to appoint someone with a similar viewpoint.

The dollar's fall on foreign-exchange markets Friday, Mr. Pardee said, was due to the expectation that an easier monetary policy and lower interest rates might result. He added that this could begin to boost bond prices.

In Friday trading, prices of the long Treasury bond — the 11 1/2-percent issue due 2015 — finished at 107 11/32, to yield about 10.44 percent, after closing on Thursday at 106 17/32, to yield 10.52 percent.

During his budget address in February, the financial secretary, Sir John Bredin, gave a more conservative estimate of 7.2 percent growth in GDP, the total output of goods and services, minus income from operations abroad.

U.S. Consumer Rates

For Week Ended June 28	Rate
Postbox Services	5.50 %
Toy Exempt Bonds	8.80 %
Bank of America	7.26 %
Bank of Montreal	6.99 %
Home Mortgage	13.70 %

Sudan to Seek Rescheduling Of Foreign Debt

By Steven J. Dryden
International Herald Tribune

AMMAN, Jordan — Sudan's finance minister said here Sunday that his country would try to reschedule its foreign debt but would not resort to the Eurodollar market for funds.

"Our creditworthiness does not allow us to go to the Eurodollar market, but we are rescheduling our debts and are very optimistic this will be accepted," said Awad Abd Elmagid, who is in Jordan for an economic conference. "All countries have signified that they will give substantial support to Sudan to enable it to stand on its feet."

Sudan's leader, General Abdul Rahman Swaridhab, who overthrew Gaafar Nimeiri in April, faces serious economic problems, big internal and external debts and the country's worst famine in a century.

The minister said about \$2.2 billion of Sudan's total foreign debt of \$9 billion has fallen due, including \$450 million owed to commercial banks that have tentatively agreed to reschedule.

Mr. Abd Elmagid said he expected the "Paris club" of creditor countries to meet by October to agree on rescheduling the rest in long-term government or government-guaranteed loans. Sudan will also approach the World Bank for balance of payments support, he said.

Hong Kong Domestic Exports Fall for 3d Consecutive Month

By Dinah Lee
International Herald Tribune

HONG KONG — Hong Kong's domestic exports have registered a drop for the third consecutive month, tempering predictions of 7-percent growth in gross domestic product for 1985.

Figures released Friday showed that domestic exports dropped 7.7 percent, or \$96 million, dollars (\$115.5 million), to 10.8 billion dollars from May 1984. The drop for March through May was 11.5 percent.

Last year's growth in GDP was 9.6 percent, and in January, Hong Kong & Shanghai Banking Corp. was more optimistic than most in predicting 1985's growth would hit 10 percent.

During his budget address in February, the financial secretary, Sir John Bredin, gave a more conservative estimate of 7.2 percent growth in GDP, the total output of goods and services, minus income from operations abroad.

Trade figures are watched closely in Hong Kong, where external trade is viewed as the lifeblood of the colony.

Last year's total value of exports was 221.5 billion Hong Kong dollars, an increase of 38 percent from 1984.

Re-exports, goods passing through Hong Kong from other ex-

EUROPEAN COMMUNITY

Japan Trade Still a Sore Point in EC

By Steven J. Dryden
International Herald Tribune

BRUSSELS — The European Community has stepped up pressure on Japan to further open its markets to foreign trade and end unfair export practices.

The EC moves come shortly before Prime Minister Yasuhiro Nakasone of Japan begins a European tour later this month, including a visit to Brussels.

At the Milan summit, community leaders singled out Japan in their final statement, saying they were "seriously concerned" about EC-Japanese trade relations.

"Japan should undertake to increase significantly and continuously its imports of manufactured products and processed agricultural products," as well as liberalizing financial markets and improving the international position of the yen, the statement said.

Last week, the community's executive commission criticized Japan's tariff-reduction program, saying the changes announced by Tokyo on June 25 were "unlikely to bring immediate or sustained relief to the trade imbalance" between the EC and Japan, which in 1984 was \$10 billion in Japan's favor.

The Commission last week also imposed definitive anti-dumping duties on specific categories of Japanese ball bearings and roller bearings, and provisional anti-dumping duties on Japanese electronic typewriters.

Greece, Commission Dispute Oil Monopoly

Greece and the Commission are at odds over when to end the monopoly of the Athens government on buying oil.

Peter Sutherland, the commissioner for competition, told Greek officials during a visit to Athens last week that the government must allow private companies to buy oil from January 1986.

The deadline was specified in the treaty signed by Greece when it joined the community in 1981.

The Greek energy minister, Eleftherios Vervakidis, said his government planned to open up the market, but only gradually. He was unable to provide a target date by which the monopoly would be abolished.

Greece maintains that a security threat from Turkey and its geo-

graphical location make it difficult to give up the monopoly.

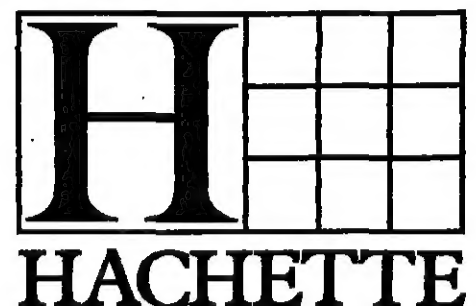
The Commission may take the case to the European Court of Justice, community officials said.

Officials Cite Flexibility In Multi-Fiber Accord

The Commission said last week that it was open to flexibility in the terms of the new international Multi-Fiber Arrangement. The current agreement expires in July 1986.

Commission officials would not specify whether the flexibility would apply to certain newly industrialized countries that are looking for better access to markets in the West or to so-called sensitive products.

The Multi-Fiber Accord regulates the world market in textiles, protecting aging Western industries while they modernize.



KEY FIGURES 1984 (in millions of francs)	1984	1983
HACHETTE S.A. (Parent Company)		
• Turnover	2,420	2,199
• Net income after tax	127	115.1
• Net capital gains and losses	53.1	135.1
• Total net income	180.1	250.2
CONSOLIDATED GROUP		
• Turnover	10,705	9,042
• Hachette Group's share of consolidated profits:		
— Excluding capital gains and losses	202	187.3
— Capital gains and losses	63.4	142.2
TOTAL	265.4	329.5
DIVIDEND	Fr. 18.50	16.50
TAX CREDIT	Fr. 9.25	8.25

HACHETTE shareholders met on June 20, 1985 to approve the Group's management accounts for 1984. The meeting was chaired by M. Jean-Luc LAGARDÈRE, President.

HACHETTE S.A., the parent company, posted a net profit in 1984 of F.Fr. 180.1 million, including F.Fr. 53.1 million due to capital gains. Meanwhile, the Hachette Group's share of consolidated profit for 1984 reached F.Fr. 202 million, as opposed to F.Fr. 187.3 million in 1983. After taking account of capital gains and losses, consolidated profits were F.Fr. 265.4 million as opposed to F.Fr. 329.5 million in 1983.

President Jean-Luc LAGARDÈRE, assessing these figures, laid considerable stress on the Hachette Group's policy of development and investment introduced in 1984-1985, which is to be continued throughout 1986 both in France and abroad.

As a result of this policy, the Hachette Group has in the last 18 months bought 100% of SEYMOUR PRESS, increased its shareholding in HACHETTE GÖTTCH (from 50% to 100%) and acquired a majority stake in the company which publishes TELEPROGRAMA, a high-circulation Spanish TV magazine. Hachette also took control of 42% of the capital of PATHE CINEMA, as also 50% of HARLEQUIN FRANCE, among other moves.

FOR FUN AND PROFIT
The Business Travel Column by
ROGER COLLIS
Friday in Weekend

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and

C.H. Boehringer Sohn

have formed a joint venture in the
Federal Republic of Germany under the name of

Dieckmann Arzneimittel GmbH

We assisted Merck & Co., Inc. in this transaction.

Arnhold and S. Bleichroeder, Inc.

June 1985

Diversification Seen in Eurobond Market's Record First Half

(Continued from Page 7)

Japanese institutions without resorting to their limits on foreign currency holdings — offered seven-year notes of \$100 million. Nippon Telegraph & Telephone's carried a coupon of 10 percent priced at 99 1/4 and Tokyo Electric carried a 10 1/4-percent coupon priced at 100 1/4. NTT ended the week at a small premium and Tokyo Electric at a modest discount, reflecting the special attraction in Japan.

A particularly complicated transaction was put together for Middleton Trust, a special-purpose company created to finance Aetna Insurance's sale of property to General Electric Credit and leaseback to Aetna. GEC is guaranteeing the first interest payment

and Aetna is guaranteeing the lease payments, creating a triple-A rating for Middleton.

The financing consists of \$68 million of eight-year notes bearing a coupon of 10 1/4 percent and \$102 million of 13-year, 10 1/4-percent bonds — both offered at par.

The complicated part is \$37 million of 25-year bonds. For the first 13 years this is a zero-coupon security and for the final 12 years it is a fixed-coupon issue of 11 1/4 percent (the identical yield offered on the zero portion). Unlike most zeros, which are sold at substantial discounts from face value, this paper is being offered for sale at face value, \$5,000. At year 13, the compounding of accrued interest will have made the paper worth \$21,200.

At that point, holders will earn 11 1/4 percent a year for the remaining 12 years on \$21,200. A sinking fund will start redeeming this paper in the 14th year.

Lead manager Credit Suisse First Boston said the yields — which are more generous than on other comparably dated securities — are due to the complicated structure and the relatively small size of the individual offerings, which make them more akin to private placements.

In the FRN market, seven issues totaling \$3.9 billion were offered with maximum coupons. The caps ranged from a low of 12 1/4 (Taiyo Kobe Bank and Nederlandsche Middenstandsbank) to 13 percent (Banca Nazionale del Lavoro, Manufacturers Hanover Trust, Na-

tional Australia Bank and Wells Fargo).

Italy became the first sovereign issuer to use this new formula, setting a cap of 12 1/2 percent, but combined it with the mismatch formula of adjusting the coupon (4 point over the six-month London interbank bid rate monthly). Mismatching is not currently popular and the narrowing of the cap added to the difficulties. Lead manager Bank of America was reported to be supporting the issue at a discount of 1/2 point, the full front-end fee.

The market for ECUs and Australian and New Zealand dollar issues continued to be affected by the fact that coupon levels are lower than short-term financing rates. This means the paper trades at substantial discounts while still in the hands of underwriters and moves

up only when placed with final investors.

This week should see Credit Commercial de France tap the market for 80 million ECUs, the bank's first fixed-coupon offering, priced at 94 percent for 10 years. In the French franc sector, the first convertible in four years was launched last week by Michelin. To assuage investor worries about the recovery prospects after three years of losses and the high 20-to-25 percent premium they will be asked to pay for Michelin shares, the company is offering holders the option to redeem the 15-year bonds after five years. The redemption price will be at a premium, giving holders a yield of 10 1/4-to-10 1/2 percent, about a percentage point less than Michelin would currently pay for straight debt.

Shift From Euroloans to Bonds Is Said to Hit Peak

By Carl Gewirtz
International Herald Tribune

PARIS — The transformation of international credit markets away from syndicated bank loans to securities or related instruments, which began in 1982 in response to the debt crisis, was completed in the first six months of this year.

The data documenting this shift is contained in the June issue of Financial Market Trends, which is being published Monday by the Organization for Economic Cooperation and Development.

The study says many market participants believe the decline of conventional syndicated loan business is not transitory but, instead, "reflects a behavioral change of borrowers and lenders, both of which show nowadays a marked preference for more flexible financing instruments."

In 1982, the year developing countries' debt burdens reached crisis proportions, the volume of international bank lending was double the annual rate of activity on the international bond market — \$104 billion versus \$50 billion.

By 1984, with bank lending on a steady downturn and the Eurobond market in full expansion, the two markets provided about equal amounts of credit. This year, the Eurobond market pulled sharply ahead. It is providing twice the amount of credit, running at an

annual rate of \$130 billion, as the bank market, at an annual rate of \$64 billion.

The figures further show that international bank loans, which in 1982 accounted for 88 percent of total bank lending, have shriveled

SYNDICATED LOANS

to 45 percent this year. Foreign bank loans have held steady at under 10 percent.

The remaining 46 percent of total lending is now accounted for by what the OECD labels "other international facilities," which comprised just 5 percent of the total in 1982. These are predominantly note issuance facilities, multi-year lines of credit to back up the sale of short-term securities.

In the first six months, syndicated Euroloans and foreign bank loans totaled \$17.6 billion — the lowest level since the mid-1970s and less than half the amount in the comparable period in 1983. "Other facilities" amounted to \$18.7 billion so far this year, of which NIPs accounted for \$16.3 billion.

The OECD estimates that the volume of NIPs arranged to date exceeds \$35 billion although, with the international market for short-term paper still relatively undeveloped, only a small portion has been utilized. Bankers active in the market estimate that the volume of

Euroloans actually sold does not exceed \$7 billion.

These instruments are popular because banks earn fees for providing the backup without having to include the lending commitment in their balance sheets. Their popularity was demonstrated last week when Sweden's \$1.5-billion facility was increased to \$1.8 billion.

Even facilities that clearly will be drawn — such as Coca-Cola Co.'s financing of receivables through a special purpose company, EBS Financial Corp. — draw wide support when the name is right. EBS asked banks to provide lines to back the sale of \$365 million worth of notes and received over \$700 million in offers from banks eager to underwrite the deal.

Peugeot SA is in the market seeking backing for the sale of \$300 million of short-term notes. Banks are asked to provide a seven-year line of credit to back the sale in return for an annual fee of 1/4-percent, or 25 basis points. If the underwriters cannot sell the notes and are forced to take them, Peugeot will pay the banks 10 basis points over Libor. If banks take more than one-third of the total, Peugeot will pay 17 1/2 basis points over Libor and 25 basis points if banks take more than two-thirds.

Fleet Financial Group is seeking backing for the sale of \$150 million worth of notes. It is offering under-

writers an annual fee of 12 1/2 basis points. If the banks take the notes, they will earn 12 1/2 basis points over Libor. The margin rises 5 basis points if banks wind up taking more than half of the notes offered.

Burns Philp & Co., a diversified Australian group, is asking banks to provide a \$35-million line of credit to back the sale of up to \$70 million of Euroloans, commercial paper or Australian-dollar promissory notes. The company will pay an annual fee of 12 1/2 basis points on the five-year facility. If underwriters are forced to take the Euroloans, the company will pay 20 basis points over Libor. The margin rises by 2 1/2 basis points if banks take more than one-third of their underwriting commitment and by 5 basis points if banks take more than two-thirds of their commitment.

Buttes Gas Listing in Peril

By Steven J. Dryden
International Herald Tribune

OAKLAND, California — Buttes Gas & Oil Co. said it had been advised by the New York Stock Exchange that it no longer meets the financial guidelines for continued listing on the exchange and that its listing status is under review. Separately, the company said it has asked its lenders to waive their right to accelerated repayment of debt.

SELECTED U.S./U.K. QUOTATIONS

	U.S.	U.K.
Apollo Corp.	20 1/4	20 1/4
Mr. Gasket	9 1/4	9 1/4
Bitter Corp.	3	3 1/4
Modulaire	8 1/4	8 1/4
Rodime	7 1/4	8

WITH COMPLIMENTS OF CONTINENTAL AMERICAN

When in Washington, D.C. meet me at

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Adjacent to the Washington Marriott

Weekly International Bond Prices

Prices may vary according to market conditions and other factors.

Continued from Page 5

FOREIGN TARGETED BONDS OF THE TREASURY AND OF ITS AGENCIES

Am	Sec	%	Mat	Price	Yield
100	100	100	100	100	100

DM STRAIGHT BONDS

AUSTRALIA

Am	Sec	%	Mat	Price	Yield
100	100	100	100	100	100

AUSTRIA

Am	Sec	%	Mat	Price	Yield
100	100	100	100	100	100

BELGIUM

Am	Sec	%	Mat	Price	Yield
100	100	100	100	100	100

CANADA

Am	Sec	%	Mat	Price	Yield
100	100	100	100	100	100

CHINA

Am	Sec	%	Mat	Price	Yield
100	100	100	100	100	100

DENMARK

Am	Sec	%	Mat	Price	Yield
100	100	100	100	100	100

FINLAND

Am	Sec	%	Mat	Price	Yield
100	100	100	100	100	100

FRANCE

Am	Sec	%	Mat	Price	Yield
100	100	100	100	100	100

GERMANY

Am	Sec	%	Mat	Price	Yield
100	100	100	100	100	100

ICELAND

Am	Sec	%	Mat	Price	Yield
100	100	100	100	100	100

IRELAND

Am	Sec	%	Mat	Price	Yield
100	100	100	100	100	100

ITALY

Am	Sec	%	Mat	Price	Yield
100	100	100	100	100	100

JAPAN

Am	Sec	%	Mat	Price	Yield
100	100	100	100	100	100

LUXEMBOURG

Am	Sec	%	Mat	Price	Yield
100	100	100	100	100	100

MEXICO

Am	Sec	%	Mat	Price	Yield
100	100	100	100	100	100

MISCELLANEOUS

Am	Sec	%	Mat	Price	Yield
100	100	100	100	100	100

NETHERLANDS

Am	Sec	%	Mat	Price	Yield
100	100	100	100	100	100

NEW ZEALAND

Am	Sec	%	Mat	Price	Yield
100	100	100	100	100	100

NORWAY

Am	Sec	%	Mat	Price	Yield
100	100	100	100	100	100

PORTUGAL

Am	Sec	%	Mat	Price	Yield
100	100	100	100	100	100

SOUTH AFRICA

Am	Sec	%	Mat	Price	Yield
100	100	100	100	100	100

SOUTH AMERICA

Am	Sec	%	Mat	Price	Yield
100	100	100	100	100	100

SPAIN

Am	Sec	%	Mat	Price	Yield
100	100	100	100	100	100

SUPRANATIONAL

Am	Sec	%	Mat	Price	Yield
100	100	100	100	100	100

CONVERTIBLE BONDS

EUROPE

Am	Sec	%	Mat	Price	Yield
100	100	100	100	100	100

JAPAN

Am	Sec	%	Mat	Price	Yield
100	100	100	100	100	100

MISCELLANEOUS

Am	Sec	%	Mat	Price	Yield
100	100	100	100	100	100

UNITED STATES AMERICA

Am	Sec	%	Mat	Price	Yield
100	100	100	100	100	100

Chicago Exchange Options

Figures as of close of trading Friday.

Option & Price

Option	Price	Option	Price	Option	Price	Option	Price
Call	100	Call	100	Call	100	Call	100

Option & Price

Option	Price	Option	Price	Option	Price	Option	Price
Call	100	Call	100	Call	100	Call	100

Option & Price

Option	Price	Option	Price	Option	Price	Option	Price
Call	100	Call	100	Call	100	Call	100

HIGHEST CURRENT YIELDS

On convertibles having a conversion premium of less than 10%.

Am	Sec	%	Mat	Price	Yield
100	100	100	100	100	100

Explanation of Symbols

Am	Sec	%	Mat	Price	Yield
100	100	100	100	100	100

July 1, 1985

Consolidated trading for week ended Friday.

r—Not traded. s—Some offered. o—Offered.

Consolidated trading for week ended Friday

BUSINESS ROUNDUP

Occidental Petroleum

Occidental Petroleum Corp. (NYSE: OXY) has announced that it has acquired a 10% interest in Occidental Petroleum Corp. (NYSE: OXY) for \$100 million. The acquisition is expected to be completed by the end of the year.

Montedison Unit

Montedison Unit (NYSE: MONT) has announced that it has acquired a 10% interest in Montedison Unit (NYSE: MONT) for \$100 million. The acquisition is expected to be completed by the end of the year.

Investment Group

Investment Group (NYSE: INV) has announced that it has acquired a 10% interest in Investment Group (NYSE: INV) for \$100 million. The acquisition is expected to be completed by the end of the year.

Shadow of Saudi

Shadow of Saudi (NYSE: SHD) has announced that it has acquired a 10% interest in Shadow of Saudi (NYSE: SHD) for \$100 million. The acquisition is expected to be completed by the end of the year.

Cable: CENT-PLAZA Telex 698-664 Dept.T

[illegible]

With bulk and
lease rates in the
Commodities
Column.

(continued)

Year	1950 Projection (%)	1980 Projection (%)
1950	7.0	7.0
1960	8.0	8.0
1970	9.0	9.0
1980	10.0	10.0
1990	11.0	12.0
2000	12.0	14.0
2010	13.0	16.0
2020	14.0	18.0
2030	15.0	19.0
2040	16.0	20.0
2050	17.0	20.0

Food Lovers' Guide to

...the ...

too delicious to be left
ers the many delights to
nary city, and takes an
s' internationally known

mentary, anecdotes,
basic facts like business
To recreate the taste

are included, gleaned
chefs.
es featuring a French/
vocative photographs.

without Patricia Wells's
Houston Chronicle

serious hedonist
New York Magazine
of the great food

Philadelphia Daily News

BUSINESS
EUROPE
each outside Europe.

TRIP TO PARIS
 each outside Europe.

1-7-85



BUSINESS ROUNDUP

Chase Manhattan
To Buy Spain's
Banco Financas

MADRID—Chase Manhattan Bank said it has signed a conditional agreement to buy 91 percent of the share capital of Banco de Finanzas SA from the major shareholders, Grupo Fierro SA.

The accord, announced Friday, is conditional on obtaining official authorization for the purchase before July 20 and on certain changes within Finanzas, including the setting aside of 3.5 billion pesetas (\$20.1 million) of its capital to clear non-performing loans.

Finanzas' total capital and reserves are 3.5 billion pesetas.

The spokesman said Chase would publicly offer 1,500 pesetas per share for the remaining 9 percent of Finanzas' share capital after the Grupo Fierro purchase is closed.

He would not disclose the price to be paid to Grupo Fierro for its 91-percent stake in Finanzas.

Occidental Signs China Coal Pact

By Jim Mann
Los Angeles Times Service

BEIJING—Ending more than five years of negotiations with Chinese officials, Occidental Petroleum Corp. on Saturday signed the final contract for development of one of the world's largest surface coal mines. The accord, valued at about \$650 million, had been "announced" several times in the past years.

The coal mine will be built 220 miles (350 kilometers) west of the capital in Shanxi province and will supply an estimated 15 million tons of coal a year after production starts in 1987. Approximately two-thirds of the coal will be exported, and the remainder will be used within China.

With the exception of an aviation co-production agreement signed in April involving McDonnell Douglas Corp., the Occidental deal is the biggest joint venture signed to date between a U.S. enterprise and the People's Republic of China.

The final contract was signed in ceremonies at the Great Hall of the People here by Dr. Armand Hammer, chairman and chief executive

officer of Occidental, and officials of the China National Coal Development Corp. and the Bank of China, the two Chinese partners in the joint venture.

Over the last half decade, Occidental has taken part in four previous preliminary agreements involving the coal mine project. Each time, the proposed accord stalled because of problems in arranging financing.

"I guess you are wondering whether this is just another signing and there will be another," Dr. Hammer told reporters Saturday. "There will be no other signing. This is it."

Under the contract signed Saturday, Occidental will have a 25-percent interest in the project. Another 25 percent will be held by a wholly owned subsidiary of the Bank of China, and the remaining 50 percent will be held by the China National Coal Development Corp.

In April 1984, during President Ronald Reagan's trip to China, Dr. Hammer had put his signature to a tentative pact under which Occidental had an American partner,

the Nebraska Construction & Mining Corp. unit of Peter Kiewit Sons, Inc. Under this proposed arrangement, Kiewit was to hold 25 percent of the Chinese coal venture and Occidental another 25 percent, with the Chinese mining corporation holding the rest.

However, Kiewit dropped out of the project last fall after the price of coal sank to \$40 a ton. Its 25-percent share was taken over by the Bank of China, and as a result, China's share of the investment increased from 50 percent to 75 percent.

Dr. Hammer said Saturday that his company's total investment in the mining project will be \$175 million plus \$25 million in interest, for a total of \$200 million. The length of the contract is 30 years.

China is the third-largest producer of coal in the world after the Soviet Union and the United States, and coal accounts for as much as 70 percent of the country's energy. However, in the face of a severe energy shortage, China is aiming to increase its coal production to nearly twice the current level by the year 2000.

Montedison Unit, Compo to Merge

MILAN—Assirom SpA, the specialty chemicals unit of Montedison SpA, has agreed to merge with Compo Industries, a U.S. company specializing in synthetic materials, Montedison's chairman, Mario Schimberni, told shareholders Friday.

Mr. Schimberni said the merger would enable Assirom to penetrate U.S. markets with the help of Compo's local management and could lead to similar arrangements with other companies.

He gave no details of how and when the merger would take place. He said, however, that if the merger goes through, it would enable Assirom to obtain a listing on U.S. stock exchanges.

Assirom, which also makes high-performance materials, had revenue last year of \$16.2 billion (€265 million). Compo had revenue of \$132.4 million.

The U.S. company acquired Van Houten BV, a Dutch company that is a world leader in the production of synthetic carpets, in 1981. Montedison has expanded its international presence in recent years through a series of alliances and acquisitions.

The company said Montedison group sales rose 14 percent in the first quarter of 1985, to 3,200 billion lire.

Mr. Schimberni said Montedison's controlling syndicate of shareholders had increased its share in the company's equity capital, from 26.67 percent to 34 percent.

Industry sources said four insurance companies and three other business groups had been admitted to the controlling syndicate, boosting its share of company capital by around 7 percent.

The four are Societa Assicuratrice Italiana, RAS, Assicurazioni Generali and La Fondiaria. They were joined by the Ferruzzi group, which controls Edizione Zuccherificio SpA, and the Malturo and Ingimura groups.

The group has a 50-percent interest in Himont Inc., a producer of polypropylene, in a joint venture with Hercules Inc.

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Arab Bank Buys
Into Dutch Firm

BAHRAIN—Arab Banking Corp., based in Bahrain, has bought a stake in the Dutch construction company, Hochtief Beton Groep NV, a bank official said Sunday.

Peter Faberij de Jonge, of the marketable securities department, said the bank acquired a block of 200,000 shares of the company on May 22, equivalent to 7.1 percent of its issued capital, at a cost of 133 to 140 guilders (\$38.50 to \$40.50) a share.

Mr. Faberij de Jonge declined to say whether the purchase had been made for the bank or for a customer. Arab Banking, owned by Kuwait, Libya and Abu Dhabi, is known to run discretionary portfolios for investors.

Shadow of Saudi Threat Hangs Over OPEC Talks

(Continued from Page 7)

stering prices now and cashing in later when prices go up again.

Others, like Nigeria, cannot afford to wait. They are populous countries with development problems that cry out for solutions now. These countries feel that they must rapidly sell as much oil as they can, at whatever price.

In a series of meetings late last year and early this year, OPEC tried to reach compromises that would satisfy the different factions. Production quotas and price levels were set, but they have not worked well.

OPEC set a limit on the 13 countries' combined production of 16 million barrels a day. The largest quota was assigned to Saudi Arabia, a bit more than 4.3 million barrels a day.

During the year, OPEC has managed to keep within the 16-million limit—in fact, Russell Seal, general manager of British Petroleum PLC, estimated recently that OPEC production had slipped below 15 million barrels a day—but only because Saudi Arabia, trying to salvage the agreement, has cut its own production to somewhere between 2.5 million and 2.8 million barrels a day. Nigeria and others are obviously pumping more oil than is authorized.

In a price agreement on Jan. 30, OPEC cut the benchmark price of Arab light oil to \$28 a barrel. But in this agreement OPEC decided not to cut the price of Arab heavy oil at the same time, keeping it at \$26.50 a barrel.

This was aimed at satisfying producers of light oil, like Nigeria, who

had complained that they were hurt by the big differential between the price of their oil and the price of heavy oil.

Iran, Algeria and Libya voted against the cut in price, and Gabon abstained. Nevertheless, almost all members were still expected to honor the agreement.

But OPEC producers, even those who voted in favor of the agreement, have failed to adhere to these prices. They have discounted prices and engaged in barter deals to meet the competition from non-OPEC members. This has contributed to a general decline in the price that most refiners are paying for oil.

On June 26 the price for Arab light oil in the European spot market was \$26.95 a barrel, a bit more than \$1 below the OPEC price. The price of Arab heavy was \$25 a bar-

rel, \$1.50 below the OPEC price.

The Saudis' impatience was made clear in early June, in a letter delivered by Sheikh Yamani to the OPEC Executive Council meeting in Taif, Saudi Arabia. In the letter, King Fahd warned OPEC members not to take Saudi Arabia for granted as the producer willing to cut back so that the overall production limit could be held. If the others continued to exceed their quotas, he said, Saudi Arabia would increase its production to 5 million barrels a day.

Prompted by the Fahd letter, the Executive Council will submit a resolution to the Vienna meeting calling for sanctions against members who violate production or pricing agreements. Under the resolution, an offender could be expelled.

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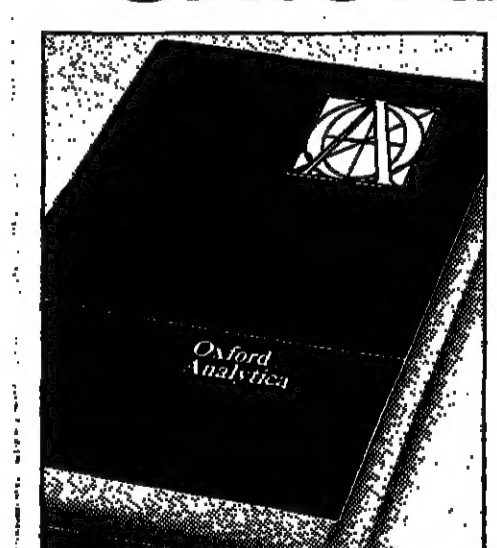
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